Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.500	Israel	Shk4.50	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr15	Korea	Won 2000	Qatar	QR10.00
Egypt	£E3.50	Kuwait	Fils.600	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh18	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht60
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3500
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday April 18 1991

D 8523A

IRELAND
Road narrows for the travelling people
Page 3

World News

Two setbacks cast doubt on future of French PM

Two setbacks for France's minority Socialist government have spurred fresh speculation that prime minister Michel Rocard is in danger of being dropped by President François Mitterrand.

Speculation has surfaced repeatedly since Mr Rocard was appointed three years ago. He and Mr Mitterrand are known to have an uneasy relationship. Page 2

Neo-Nazi broadcast

German broadcasting officials said they were powerless to stop a Tuesday night television show which called for neo-Nazi demonstrations to mark Adolf Hitler's birthday this Saturday. Page 3

Ulster 'ceasefire'

Loyalists in Northern Ireland said they would enforce a qualified "ceasefire" to coincide with the start of formal talks on the province's political future. Page 8

Ugandan MP held

Uganda's minister of state for foreign affairs and two members of parliament have been arrested, the government-run newspaper reported. Military sources said the three were suspected of collusion with rebels in the north.

Brazil image boost

The Brazilian government, hoping for a "new climate" in international dealings, is launching a campaign to improve its standing worldwide. Page 6

10,000-strong rally

About 10,000 people marched through Taipei shouting slogans and waving banners demanding democratic reform, in a show of strength by Taiwan's main opposition party. Page 4

Cameroon boycott

Students at Cameroon's Yaounde university refused to go back to their classes after alleging that security forces had committed murder, torture and rape on campus.

Hong Kong criticism

Hong Kong's government came under attack by local legislators for running a secretive administration and failing to reveal details of a new HK$100bn ($12.85bn) international airport. Page 4

Mrs Botha paralysed

Helena Botha, wife of South African foreign minister Pik Botha, was paralysed from the neck down after a fall. She is in a stable condition in the spinal unit of a Cape Town hospital.

Reprieve angers ANC

The African National Congress condemned President F.W. de Klerk's decision to commute the death sentence on Barend Strydom, who killed eight blacks in cold blood in 1988.

Rockets kill three

Mujahideen guerrillas killed three people, including two children, when they fired rockets at two Afghan cities, the official Bakhtar news agency reported.

Deputy PM removed

Papua New Guinea's deputy prime minister, Ted Diro, was automatically suspended from office after being charged with 76 counts of misconduct.

Oslo whaling move

Norway is to ask the International Whaling Commission to study the possibility of lifting a ban on commercial whaling and unilaterally plans to kill more minke whales for research from 1992.

Pit strike ends

Striking workers at the Soviet Union's largest coal mine returned to work after the Russian Federation agreed to take over control of the pits from national government.

Business Summary

American Airlines posts loss of $195.6m

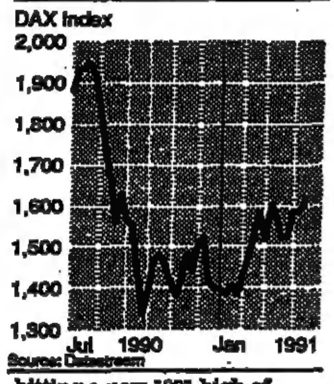
American Airlines, one of the two largest US carriers, began a dismal quarterly reporting season for the US airline industry by announcing that it lost $195.6m in the first three months of the year.

The figures bear the full brunt of the traffic slump stemming from the Gulf war and the deepening domestic recession. Mr Bob Crandall, American's chairman, pointed to the uncertainty created by difficult labour negotiations, and to the loss of around 450 pilots called up to serve in the Gulf. Page 17

AMERICAN Telephone & Telegraph reaffirmed its determination to acquire computer maker NCR at the AT&T annual meeting in Chicago. Page 20

FRANKFURT climbed to its highest levels so far this year, the FAZ index peaking 5.62 higher at 686.01 and the DAX

Germany



Source: Datastream

hitting a new 1991 high of 1,623.83, up 20.47. World stock markets, second section

DOLLAR and sterling rallied in subdued foreign exchange trading. At the London close the dollar had climbed to DM1.6725 from DM1.6650; to Y136.35 from Y134.80; to SFr1.4270 from SFr1.4175; and to FFr5.6550 from FFr5.6275. Currencies, Page 24

GIANCARLO Parretti, the controversial Italian financier, has been ousted as chairman and chief executive of Pathe Communications. Page 17

BILLITON, which includes most of the mining and metals operations of the Royal Dutch/Shell group, suffered a 35 per cent fall in net income last year. Page 18

DB LEBEN, life insurance subsidiary of Deutsche Bank, signed up DM4bn ($2.4bn) of new business in its first full year of operation. Page 18

MATRA, French defence and electronics group, has formed a co-operation agreement with the missiles and defence electronics arm of Alenia, Italian state-owned aerospace company. Page 18

GENERAL CINEMA'S $1.4bn merger with Harcourt Brace Jovanovich, the loss-making publishing and insurance company, appears to be on the verge of collapse. Page 20

PHILIP MORRIS, tobacco and food combine, reported a 21.5 per cent increase in after-tax earnings in the first quarter of 1991, to $942m. Page 20

COCA-COLA, world's largest soft drinks company, unveiled first-quarter earnings at the higher end of Wall Street analysts' expectations. Page 20

SCOTT PAPER, world's largest producer of toilet tissue, paper towels and napkins, combined news of a 51 per cent slump in first-quarter net earnings, with details of top management changes. Page 20

MICROSOFT, leading personal computer software publisher, reported record revenues and profits for its third fiscal quarter. Page 20

KINKI Nippon Railway, a leading Japanese private railway company, launched the first straight bond issue by an industrial company for two years. Page 22

US troops move into Iraq to set up camps for Kurds

By Nancy Dunne in Washington, Ralph Atkins in London, Ian Davidson in Paris and Tony Walker in Cairo

- Safe haven plan brings relief to Turkey ....Page 4
- Iraq urges UN to relax oil ban ....Page 4
- Bush administration struggles to shake off Iraq's deadly embrace ....Page 4
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- Stability may hinge on Kurd problem ....Page 16

US TROOPS yesterday moved into northern Iraq to begin surveying sites for six or seven refugee centres for Iraqi Kurds under the protection of US, British and French forces.

Initial Pentagon plans call for the dispatch of between 5,000 and 10,000 US soldiers to build, run and guard the camps against possible Iraqi attack.

Britain is expected to send a brigade of up to 3,000 troops and France is to supply about 1,000 troops. Fighter aircraft cover is expected to be provided mainly by the US.

Mr Pete Williams, Pentagon spokesman, said in Washington that it would take two weeks before the camps were "ready to go".

Iraq denounced the move as amounting to a continuation of unwarranted foreign intervention in its affairs. It said that the plan would hamper what Mr Ahmed Hussein Khudayer, foreign minister, described as Baghdad's own efforts to resolve the refugee problem.

A planned ceremony at which United Nations and Iraqi officials had been due to sign an agreement on a plan for UN relief camps was abruptly cancelled at Iraq's request.

An Information Ministry official said it "needed to study further" some parts of the plan, which would establish "humanitarian centres" operated by civilian UN personnel in northern and southern Iraq.

The Anglo-US-French move clearly caught senior UN officials unprepared. Ambassador Eric Suy, who heads a UN team visiting Iraq to discuss the refugee crisis, described the allied plan as "absolutely a new element in the light of which we will have to reconsider our position".

Mr Javier Pérez de Cuéllar, UN secretary-general, said that in his view the western plan to deploy troops in northern Iraq would require Baghdad's permission.

"We would like first to be in contact with the Iraqi authorities, to see what would be their reaction to such a military presence on their territory," he said. Mr Pérez de Cuéllar was speaking in Paris after a talks on the latest development in the Kurdish crisis with President François Mitterrand of France.

Mr Pérez de Cuéllar said if the troops were to be deployed under the aegis of the UN, "it would be necessary to obtain the agreement of the Security Council. But otherwise, if it concerns countries which do not require the UN flag, that is quite a different matter".

"But we hope", he added, "that the Iraqis will understand that the objective is simply humanitarian".

The British government stressed its desire that the functions to be carried out by allied troops in the Gulf should be transferred to UN auspices as soon as possible.

Downing Street indicated it would support another UN resolution to that effect if necessary.

Mr John Major, UK prime minister, said his motive had been to take action as swiftly as possible. He emphasised, however, that the allied action had to be focused on ensuring immediate relief for Kurdish refugees.

Mr Major received support from opposition parties for his persistence in pushing his plan for safe havens – which, incidently, increased his domestic political standing against charges of dithering and indecision.

But in the House of Commons there was concern about instability in the Middle East and tensions which could be raised by any military action to protect Kurds. Mr Douglas Hurd, foreign secretary, told MPs that it was an "immediate measure to save lives". The protective zones, although not pinpointed yesterday, will cover only the area near Iraq's border with Turkey.

No similar operation is being mounted to ease the equally severe plight of Kurds who have massed further east near the Iranian border.

A UK official said: "It has been an uphill battle to get where we are now," and the Foreign Office expressed optimism that the camps near Turkey would "reduce the pressures on both areas."

Arab states remained silent. Arab members of the anti-Saddam Hussein coalition, such as Egypt, Saudi Arabia and Syria have opposed steps that might lead to the dismemberment or "Lebanisation" of Iraq.

In Damascus, Iraqi opposition spokesmen were guarded in their reactions to the plan.

US ground teams were expected to decide on the sites for the camps by tomorrow. Engineers will then begin construction and medical units will follow as the camps near completion.

Mr Williams said the US military would provide transport to the camps, probably by truck, for Iraqi refugees inside Turkey.

The Bush administration insisted that the operation was a short-term response to the "humanitarian need."


Handshake: Soviet president Mikhail Gorbachev and Japan's prime minister Toshiki Kaifu in Tokyo yesterday

Gorbachev may face challenge within his party

By Leyla Boulton in Moscow and John Lloyd in Tokyo

PRESIDENT Mikhail Gorbachev faces a potential challenge to his leadership from within the ranks of his own Communist party when he returns from this week's visit to Tokyo.

The hardline Soyuz (Union) parliamentary group meets in Moscow this weekend to consider calls by many of its members for Mr Gorbachev to step down as Soviet president.

At the same time, his opponents in the Communist party apparatus are threatening to call for his resignation as party general-secretary at a central committee plenum on Wednesday.

Mr Leonid Kravchenko, the Soviet broadcasting chief who is a close associate of Mr Gorbachev, said in Tokyo yesterday that the plenum would not "go smoothly".

"There is a certain unrest within the party over the fact that the general secretary has not paid enough attention to work in the party," Mr Kravchenko said. "Some speeches might be harsh and opinion might be unpredictable."

The Soviet president is already under severe attack from the nearly two-month-old political strikes engulfing the country.

Independent trade unions in the Russian Federation yesterday agreed to stage a one-hour warning strike on April 26 to show support for the miners' demands, which include the resignation of Mr Gorbachev. This is likely to involve for the first time workers from the vital oil and gas industries.

Opposition forces led by Mr Boris Yeltsin and backed by striking coal miners want the Soviet leader to hold "round table" talks as a prelude to a coalition government, an idea which Mr Gorbachev's aides say he is considering.

Now Communist party hardliners, borrowing the slogan "resign" from the democrats, are accusing the president of indecision in tackling labour unrest, economic collapse, and rebellious republics.

Mr Boris Gidaspov, head of the Leningrad Communist Party, has accused the Soviet leader of "unforgivable passivity and inconsistency" in handling the country's economic crisis.

Mr Stanislav Girenko, the Ukrainian party chief, said Mr Gorbachev should not combine the two posts as president and general-secretary.

The threats are tempered by the awareness of many communists that getting rid of Mr Gorbachev could lose the party whatever authority it has left.

Mr Nikolai Stolyarov, a central committee member and a senior official of the hardline Russian Communist Party, said yesterday: "I think and hope that the plenum will show enough political realism to understand a simple truth - you cannot put all the responsibility for what is happening in the country on the shoulders of one leader".

Icy politeness, Page 4

US confirms embargo was broken

By Lionel Barber and Eric Reguly in Washington

THE WHITE HOUSE confirmed yesterday that Jordanian companies had been used to divert militarily useful US equipment to Iraq in defiance of the United Nations embargo, only weeks before the bombing of Baghdad in January.

But it denied parts of a Financial Times article yesterday which said the Bush administration had ignored warnings about Jordan's role as an illegal pipeline for military goods into neighbouring Iraq in violation of the UN embargo.

According to the White House, several Jordanian companies were identified during a joint investigation between the US and Jordan into middlemen suspected of acting for Baghdad in illegal US-Iraqi arms trafficking last December.

In a prepared statement Mr Marlin Fitzwater, White House press secretary, disputed parts of the FT report and said that the administration had acted "promptly and forcefully" whenever allegations of sanctions-busting had been received. "We feel they (the sanctions) were very successful", he added.

In the case of Jordan, Mr Fitzwater said it had co-operated in the effort to clamp down on illegal trafficking of spare parts and computer equipment to Iraq.

He confirmed that Mr Robert Gates, deputy national security adviser, received a warning last December that US shipments of sensitive US military equipment were destined for Jordan.

According to past and present US government officials, the White House failed to act on this warning and allowed US shipments, which included engine components for armoured vehicles and electronic testing equipment, to enter Jordan.

The officials also said that it was only several weeks later – after hostilities had begun in the Gulf – that the warning was acknowledged.

Mr Fitzwater disputed these allegations, declaring that the administration had "no intelligence information nor other information from the Department of Commerce that diversion of items shipped legally to Jordan was occurring".

Mr Fitzwater also said the Commerce Department had sought broader powers to inspect individual shipments to Jordan from the US. In the absence of any confirmation that shipments were being diverted to Iraq, senior officials from several Federal agencies concluded it would be wrong to punish innocent Jordanian companies along with "the few known diverting companies who were being closely monitored".

The conclusion of the review was that the individual companies that had special licence privileges were not the Iraqi front companies that were of possible concern for violating the sanctions.

The White House alerted other Federal agencies, including the Commerce Department, to monitor more closely and if necessary stop all shipments deemed to be in risk of violating the UN embargo.

Mr Fitzwater said that the US asked foriegn governments to investigate more than 800 cases of suspected violations of the UN embargo, including by companies in Jordan, involving several Iraqi front companies which he declined to identify.

Michelin announces FFr5.27bn loss as demand for tyres falls

By William Dawkins in Paris

MICHELIN, the world's largest and most indebted tyre maker, yesterday announced a FFr5.27bn ($930m) net loss for last year and warned that the full benefits of its cost-cutting drive would not show until 1993.

The loss, caused by a plunge in tyre demand, a rise in finance charges and the dollar's fall, compares with a FFr2.65bn net profit the previous year and is slightly smaller than the group had earlier forecast.

It includes a FFr3.36bn exceptional charge for the cost of more than 16,000 job reductions – 15 per cent of the total – to be made worldwide in the two years to the end of 1992.

The job cuts will be equally split between the US and Europe, where Michelin last week announced 4,900 job losses. It has also announced job cuts in the US, Spain and Britain, but warns that it has not yet reached its target. No jobs cuts are planned in Asia and Japan, the group's only growth market.

Michelin expects to make another loss this year, forecast at FFr1bn to FFr2bn by securities analysts, but estimates that it will start to break even towards the end of 1991, assuming an upturn in the US market, which absorbs 40 per cent of sales.

Turnover rose by 13.6 per cent from FFr55.25bn in 1989 to FFr67.73bn last year, mainly because of the first contribution from Uniroyal Goodrich, the US tyre maker which Michelin bought at the end of 1989. Uniroyal Goodrich made a $30m loss last year. Stripping out Uniroyal Goodrich, sales fell at an underlying 2.7 per cent.

Sales fell on average by 5.6 per cent in the first three months of this year, with the North American market declining twice as fast as Europe. However, Michelin reckons it is not losing market share, which is just over 20 per cent of the world total.

The cost of the $1.5bn Uniroyal Goodrich acquisition drove debts up from FFr22bn to FFr28.5bn last year, with gearing up from 116 per cent to 161 per cent of shareholders' funds over the same period. Michelin warns that debts will rise in 1991 as it pays for its restructuring, but turn down next year.

Gearing rises to an estimated 280 per cent if FFr5.5bn of subordinated loans are counted as debt, estimated Mr Bob Barber, analyst at James Capel in London.

At that level, it is hard to see how Michelin can turn the corner without a capital reconstruction or selling a large part of the business, he said.

However, Michelin has no plans to sell industrial activities and said it did not wish to consider issuing fresh capital until it had convinced investors that it was on the road to profitability.

The group has cut investments to FFr3bn this year – a quarter of last year's rate – but is making no cuts in its heavy research and development budget. It is also continuing to trim stocks, which were reduced by 13 per cent to FFr13.28bn in the last half of 1990.

CONTENTS

Bush meeting with Dalai Lama risks the anger of Peking

President George Bush's meeting in Washington with the Dalai Lama, exiled spiritual leader of 6m Tibetans, risks an angry reaction from Peking, despite White House attempts to play down its significance

Page 6

MARKETS

STERLING
New York lunchtime:
$1.783
London:
$1.782 (1.7885)
DM2.98 (2.9775)
FFr10.0775 (10.065)
SFr2.5425 (2.535)
Y243.0 (241.0)
£ index 92.9 (same)

GOLD
New York: Comex Jun
$363.7 (363.1)
London:
$360.75 (360.65)

N SEA OIL (Argus)
Brent Jun
$19.575 (19.5)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.672
FFr5.6545
SFr1.42625
Y136.35
London:
DM1.6725 (1.665)
FFr5.655 (5.6275)
SFr1.427 (1.4175)
Y136.35 (134.8)
$ Index 64.6 (64.5)
Tokyo close: Y134.97

US lunchtime rates
Fed Funds $5\frac{7}{8}$%
3-mo Treasury Bills: yield: 5.723%
Long Bond: 97[illegible]
yield: 8.083%

STOCK INDICES
FT-SE 100:
2,545.0 (+25.5)
FT Ordinary:
2,001.4 (+15.8)
FT-A All-Share:
1,230.65 (+0.9%)
New York mid-session:
DJ Ind. Av.
3,011.88 (+25.0)
S&P Comp
391.1 (+3.48)
Tokyo: Nikkei
26,980.37 (+167.07)

LONDON MONEY
3-month interbank:
closing $11\frac{13}{16}$% ($11\frac{7}{8}$)
Liffe long gilt future:
Jun $92\frac{7}{32}$ (92)

EUROPEAN NEWS

The EBRD is launched but what its business will be is something of a mystery

Reconstruction bank takes off into a fog

By Stephen Fidler, Euromarkets Correspondent

EBRD

THE European Bank for Reconstruction and Development, the London-based international institution charged with helping the economic and political regeneration of eastern Europe, is now officially open for business.

But quite what will be its business is still something of a mystery even after the three-day inaugural meeting which ended in London yesterday. The issue may be clarified later this week once the bank's board of directors – charged with the hands-on running of the bank – ends the meeting it is due to start today. It will begin the task of establishing the bank's operating and lending criteria.

The picture will become even clearer when the position of vice-president in charge of the bank's all-important merchant banking division has been filled. Without this individual (who must be American) in place, the shape of the division responsible for 60 per cent of the bank's activities will not be apparent.

Despite this, the bank has aroused strong feelings for such a youthful institution and many appear already to have written it off.

Hostility was initially stirred by what appeared to outsiders to be an Anglo-French conspiracy which gave the bank a French president and settled it in London.

Many question whether its president, Mr Jacques Attali, is the man for the job. A man of ideas and an attractive figure to some, but regarded by others as arrogant, he is emphatically not a banker, and freely admits it. He says he can hire bankers – although the senior people so far hired are overwhelmingly from the public sector in west and east Europe.

Mr Attali's high-flown vision of the bank seems in conflict with the more prosaic view of its role outlined by some of its 41 shareholders – 39 governments together with the European Community and the European Investment Bank.

Mr Attali and his mentor, President François Mitterrand, speak of the bank as the first pan-European organisation: the seed corn of a greater Europe stretching from Dublin to Moscow. The US and others would prefer it to concentrate on a narrower role of encouraging the development of the market economy and bolstering democracies in the region.

Mr Attali yesterday denied any conflict of views about the institution. He said its role was defined by the articles of association, of which he was the chief architect. There was, he neglected to say, a battle-royal last year over these articles as shareholders, led by the US, impressed on the bank their desire not to let Mr Attali have a free hand.

These negotiations gave the shareholders, as represented by the board of directors, a strong role in the day-to-day running of the bank. They also resulted in the bank having a 60-40 split between lending to the private and the public sector sectors. More precisely, the bank must devote 60 per cent of its resources in the early years to the commercial sector – that is, private businesses and those still in the state sector but are being privatised. Forty per cent will be devoted to infrastructure.

Both decisions, taken against Mr Attali's wishes, give rise themselves to potential difficulties. An active board means a large part of the running costs of the bank will be devoted to keeping the 23-strong board – larger than the World Bank's – in permanent place in London. In addition, the strictures of the bank will limit its infrastructure lending, the area in which, according to some observers, eastern Europe's needs are greatest.

Shareholders have also expressed concern that the bank should not interfere with the operations of other multilateral institutions in east Europe. The International Monetary Fund is providing balance of payments support, the World Bank project finance and help for economic sector reform, while its sister institution, the International Finance Corporation, is helping with the private sector. The European Investment Bank is also providing project finance, while private financial advisers from the City of London and elsewhere are in evidence all over the region.

Mr Attali speaks of the importance of technical assistance, but there is little technical experience in the bank and that would involve hiring consultants. He also stresses the bank's individuality in its lending rules: conditions for lending will depend on political as well as economic criteria. He speaks of a "hierarchy of deterrence" against countries who regress in either political or economic terms.

The bank is also the one multilateral organisation to be able to lend to the Soviet Union – although in a strictly limited fashion to start with. But the political and economic disintegration of the Soviet state makes this seem like a less attractive prospect than it did even a year ago.

E German protests running out of steam

By Leslie Colitt in Berlin and David Goodhart in Bonn

DEMONSTRATIONS against unemployment in east Germany appear to be giving way to apathy and resignation. Only 35,000 people turned up for a rally in Berlin yesterday compared with the 100,000 expected by the organisers.

On Monday night only about 5,000 people demonstrated in Leipzig, where weekly rallies earlier this year attracted tens of thousands protesting against the collapse of industry.

East Germans are expressing increasing scepticism about whether they can change the economic situation by demonstrating, an attitude bred by 40 years of enforced passivity under the Communists.

Addressing yesterday's demonstration, Mr Franz Steinkühler, head of the IG Metall union, hit back at conservative politicians who had accused him of creating a climate of confrontation which enabled terrorists to assassinate Mr Detlev Rohwedder, president of the Treuhand privatisation agency, on April 1. His critics have also condemned him for organising the weekly protest demonstrations in Leipzig against unemployment.

Mr Steinkühler said it was "abominable" to use Mr Rohwedder's murder to equate peaceful demonstrations with violence. He demanded an end to "willy-nilly" privatisation by the Treuhand which he said was demotivating workers.

IG Metall is hoping to win an extension of the one-year no-sackings agreement it negotiated last year for the east German metal industry. The agreement runs out on July 1 but the union is to hold talks with employers on April 26. Many employers have been waiting for it to run out before announcing big redundancies.

Bonn spy charge

A Bonn defence ministry official has been arrested on suspicion of spying for the former East German Communist government for more than two decades, the federal prosecutor's office said yesterday, Reuter reports from Karlsruhe.

It said that the 57-year-old man, identified only as Mr Wolf-Heinrich P., was considered to be one of the most important Communist spies working in the military area.

Parliamentary setbacks put Rocard in doubt

By Ian Davidson in Paris

FRANCE'S minority Socialist government has withdrawn one draft bill from parliamentary consideration and delayed another in the past 24 hours because it was unable to put together a majority.

This double retreat has spurred fresh speculation that Prime Minister Michel Rocard could be in danger of being dropped by President François Mitterrand.

Speculation has surfaced repeatedly since Mr Rocard was first appointed three years ago. He and the president are known to have an uneasy personal relationship, and Mr Mitterrand is widely believed to be alert to any opportunity of dumping him.

Until now, however, Mr Rocard has successfully guided his government through the difficulties of assembling shifting majorities in parliament, and he continues to enjoy high popularity in opinion polls.

The government's reluctance to press ahead with the two reform bills may suggest that its political fortunes are taking a turn for the worse, however.

The bill withdrawn from parliamentary consideration was a plan to reform voting rules in regional elections next year. The purpose was blatant gerrymandering, being designed to disadvantage the conservative opposition parties.

The voting method being proposed would have embarrassed the moderate conservatives by confronting them with an uncomfortable choice between an open alliance with the extreme right-wing National Front and an open rejection of such an alliance.

The irony is that the bill could probably have found a majority, if it had not been for some fine print required by Mr Mitterrand against Mr Rocard's wishes.

The second bill, which has been postponed, would have reformed the savings banks and turned them into a large-scale retail banking network.

The government has retreated there because the opposition was using the bill as an opportunity to mount an attack against the associated, state-owned Caisse des Dépôts et Consignations (CDC).

Romanian workers hang flags on a street lamp yesterday as part of attempts to spruce up dilapidated Bucharest in honour of President François Mitterrand who today pays the first visit by a foreign leader since the December 1989 revolution.

UK group breaks new ground in Moscow

By Leyla Boulton in Moscow

BRITAIN'S Carroll Group yesterday became the first western company to obtain a long-term lease on Soviet land when it finalised an agreement to build a £150m trade centre in Moscow.

It has created a joint venture with Moscow city council's Association of Hotels for the project. The British-Soviet Trade Centre is due to open on a 5-acre site in 1994.

The 99-year lease is the closest thing to foreign land ownership allowed under new legislation in the Russian Federation, the country's largest republic, which has tried to press ahead with radical economic reform. But the legislation has stopped short of allowing outright ownership by foreigners, partly because of fears that it would allow them to swallow up land at bargain prices.

The centre will include 20,000 square metres of office accommodation as well as 500 hotel rooms. To facilitate approval of the deal, Carroll has also agreed to build a kindergarten for the local district, as well as homes for 150 families.

Software directive approved by MEPs

EC LEGISLATION to end piracy of computer software leapt its final hurdle last night in the European Parliament, writes Andrew Hill.

The European Commission feared MEPs would amend the heavily-lobbied measure, upsetting the compromise agreed by ministers four months ago. But the amendments failed to muster the necessary votes, despite the backing of the Socialists, the largest political grouping.

The proposed directive will extend copyright laws to computer software, but allow a limited amount of "reverse engineering" – the unpicking of programs to create software compatible with the large computer companies' most popular products.

The unamended directive will now be put before the next meeting of internal market ministers in May for formal adoption.

Brussels pressure to vet more mergers

The European Commission would have vetted more than twice the number of industrial alliances it has so far done if EC rules were less restrictive, according to the head of its merger inquiry unit, Reuter reports from Brussels.

Mr Colin Overbury said the sales thresholds which merging companies had to pass before falling within the Commission's remit were far too high. Alliances with significant impact on the EC were slipping through unchecked as a result.

Under merger control law the Commission can only vet a takeover or merger if the companies' aggregate worldwide turnover tops Ecu5bn (£3.44bn) and each of the companies generates at least Ecu250m within the Community.

Mr Overbury said practice was proving that the thresholds in the merger rules would have to be more than halved to allow the Commission to safeguard fair competition in EC industry.

Commission seeks garbage harmony

More money and greater care will have to be spent on the 2.2bn tonnes of garbage put into landfill dumps around the EC each year under a plan unveiled by the Commission yesterday, writes David Buchan in Brussels.

The plan would harmonise environmental and technical standards for landfills, encourage the raising of disposal charges to cover the full costs of creating proper dumps and eventually re-landscaping them, and require each member state to set up a special fund to cover the costs of fighting pollution from landfills.

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EUROPEAN NEWS

Narrowing road for Ireland's travelling people

By Kieran Cooke in Dublin

IRELAND'S travelling people do not appear in the tourist brochures. But their caravans are parked on the roadside approaches to most of the country's cities and towns. Clothes are hung on hedges. Children play among bits of scrap metal and rubbish.

The travellers – also referred to as "itinerants" or more commonly "tinkers" – are Ireland's nomads. They are on the bottom rung of Irish society.

An investigation by a government sponsored body in 1986 described the living conditions of travellers as intolerable. Half had no access to piped water, a toilet or electricity. Forty per cent lived by the side of the road on unofficial halting sites under constant fear of eviction. "No humane and decent society, once made aware of such circumstances, could permit them to persist," concluded the report.

Circumstances have changed little. The infant mortality rate of travellers is nearly three times the national average. Life expectancy is far lower.

To most of the population, the travellers are a troublesome group who turn garden suburbs into scrapyards, steal milk from doorsteps and washing off the line. They drink and fight and are not to be trusted. The traditional view, reflected in much official policy, is that travellers should be settled and blend in with the rest of the population.

But travellers are now pressing for better treatment. They want recognition as a separate ethnic group, challenging the commonly held view of Ireland as a mono-cultural country, where racism does not exist – simply because, apart from the Irish themselves, there are no races.

There are about 21,000 travellers in Ireland – half of one per cent of the population. While much of their history is either lost or is as yet unresearched, there are written references to them in the 12th century. The travellers' language, called *cant or gammon*, is an Irish yiddish, utilising old Gaelic words, English and words which seem to have roots in various other European languages.

Travellers have tended to marry other travellers. There is a deep sense of clanship and even today marriages between travellers and "settled people" are rare.

Until recently travellers would roam the roads of Ireland, practising various trades along the way. They would also cross to England and Scotland. The men would make tin pots and pans (hence "tinker") and the women would sell. In autumn there would be potato-picking.

Travellers were also renowned as traders, in particular of horses and donkeys. Like nomads in many parts of the world, they have seen their old way of life all but disappear.

Plastic and aluminium ruined the tin-making trade. Increased mechanisation meant fewer farm jobs. Door-to-door selling has become a thing of the past. Most of all, travellers have found it increasingly difficult to find places to park their caravans. Often there have been clashes with local residents.

Mary and Kathleen McDonagh are travellers who run, with government and private help, a laundry service in a traveller's settlement on the outskirts of Dublin.

Cousins in one of the more famous traveller families, they have been living in the same area for 17 years. "We were here before any of the houses round here were built," says Mary McDonagh. "Travellers have nowhere to go any more." Though both women live with their families in government-built houses, they still regard themselves as travellers.

"In summer especially, I'd want to be on the move," says Kathleen McDonagh.

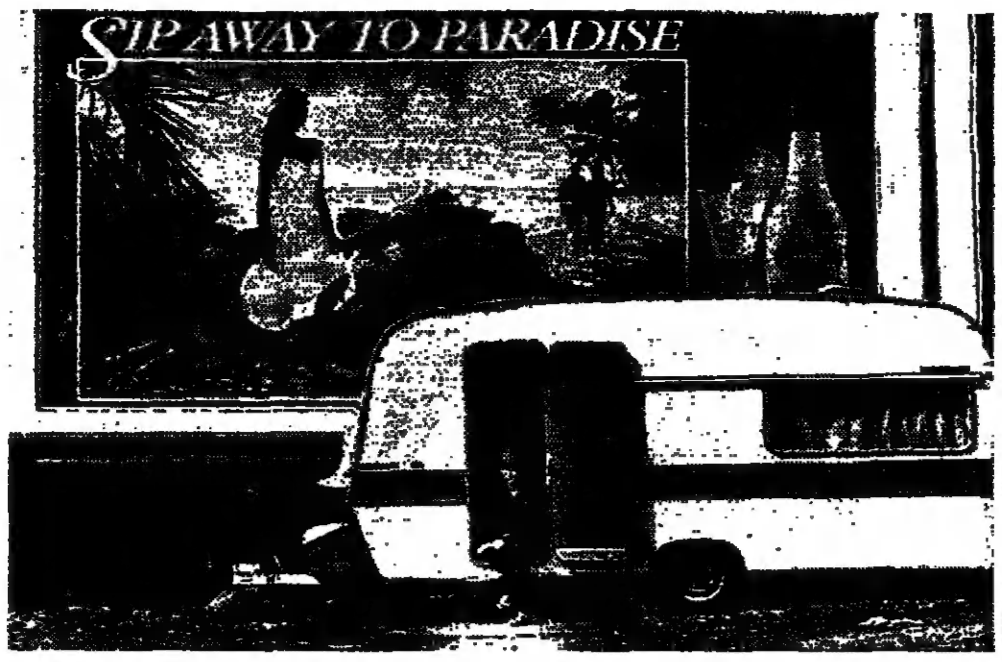
"I'd love to take off again. My children feel the same." She admits times were hard. She had 12 children: only six are still living.

Travellers have begun to protest about the way they are discriminated against. They are not allowed into most public houses and they say that recently insurance companies have begun refusing them cover for their cars and vans. In Dublin they have to go to a special office to collect welfare payments, unlike others who can make such collections in their neighbourhoods. Some schools insist that travellers attend separate classes.

Mr Niall Crowley, a social worker who has been involved with travellers for many years, says that there must be an anti-discrimination law in Ireland, as in other EC countries.

"Settled society is destroying the travellers way of life and making it illegal," says Mr Crowley. "They were once self-sufficient. Now they have no alternative but to exist on government handouts."

There is some evidence that official attitudes are changing. Mr Charles Haughey, the Irish prime minister, recently spoke of the "depth and value" of the travellers' culture. The government realises that the travellers are a problem that won't just go away.



All right for some, but for others travel – not all of it pleasurable – is a way of life

European Diary

Ireland

Paris wants speedier EC process

THE FRENCH government, frustrated by the European Community's lack of progress in agreeing minimum rights for workers, wants to waive the EC unanimity requirement and push through new social measures on a majority vote, Reuter reports from Paris.

Health and safety measures binding on all 12 EC states have already been passed by a qualified majority, in which countries' votes are weighted by their size.

Mr Jean-Pierre Soisson, French labour minister, is now proposing that the requirement for unanimity be dropped completely for measures covered by the Social Charter adopted under the French presidency of the EC in December 1989.

"Within the framework of the Intergovernmental Conference, France is proposing that the qualified majority rule be extended to all individual and collective workplace relations," Mr Soisson said at yesterday's cabinet meeting.

The Social Charter covers areas such as sexual equality, fair wages and the rights of workers to information about their company's affairs.

Mr Soisson insisted that a political initiative was necessary to break the deadlock. "If you just sit back...absolutely nothing will happen," he said.

Neo-Nazi runs riot on Berlin channel

BERLIN'S state-funded citizens' cable television channel broadcast an uncensored call on Tuesday night for neo-Nazi demonstrations to mark Adolf Hitler's birthday on April 20, Reuter reports from Berlin.

An American named Logan Evans, calling himself the "prophet of the new reality," said in a rambling, hour-long monologue in English and German that the Fourth Reich was coming and demanded that the German army be increased to 2m men.

His call for fascist demonstrations throughout Europe came amid growing concern about neo-Nazi violence by disoriented and unemployed youth in East Germany.

Broadcasting officials said they were powerless to prevent such programmes because German law barred prior censorship but a technician should have pulled the plug once the neo-Nazi content became clear.

Ms Bettina Brandi, spokeswoman for the Berlin Open Channel said that Mr Evans would be banned from broadcasting again. In six years of citizens' broadcasting, only one programme had been stopped previously, because it was pornographic, she said.

Ms Ingeborg Ludwig, legal adviser to the Cable Communication Authority, which oversees cable television in Berlin said, "That sort of thing can always slip through. We have had problems with both left and right-wing extremism."

During the Gulf War, she said, Turks and Arabs had used the Open Channel Berlin to broadcast calls for Holy War and for the "Zionist occupiers" to be thrown into the sea.

"Since we had nobody who understood Turkish or Arabic, we did not initially realise what was going on the air," she said.

The cable station, financed out of TV licence fees, allows any Berlin resident to register and broadcast two videos of up to 90 minutes every eight weeks, subject to waiting lists. Producers are not required to disclose the contents.

The station has a huge potential audience but hardly any viewers. Some 550,000 households are hooked up to the cable network, but so few watch Open Channel Berlin that it does not register in audience surveys.

"To that extent the damage caused by such broadcasts is relatively slight," Ms Ludwig said.

Dresden police said yesterday they were calling in para-military border guards to deal with an expected pro-Nazi demonstration on Hitler's birthday next Saturday.

Italy takes legal action over tanker oil spill

ITALY yesterday began legal action to claim compensation from the owners and insurers of the supertanker Haven which sank off Genoa last Sunday causing widespread pollution, Reuter reports from Rome. The ship was registered in Cyprus, owned by a Liberian-based company, and chartered by a Greek one, said Lloyd's of London.

Some of the clean-up costs are likely to be recovered from the International Oil Pollution Compensation Fund. Italy could also obtain some $19m under the Civil Liability Convention of 1969, according to an industry specialist.

Winds yesterday blew some of the oil on to Italian Riviera beaches previously free of pollution. In Rome, Environment Minister Giorgio Ruffolo said anti-pollution vessels had collected just under a third of the 145,000 barrels of crude estimated to have leaked into the sea.

Japanese greet Gorbachev with icy politeness

By John Lloyd and Stefan Wagstyl in Tokyo

PRESIDENT Mikhail Gorbachev's attempt to open a new relationship with Japan and ease political tensions in the Asia-Pacific region appeared to be on the brink of failure yesterday.

He was politely received in separate magnificent occasions by government, MPs and business leaders – but nowhere has he made the political or personal breakthroughs which had been his hallmark in the West in the late 1980s, and which he hoped to repeat during a four-day visit to Japan.

The issue at the core of the frigid relations between the two countries – the Soviet Union's refusal to return the four Kurile Islands seized from Japan immediately after the war – continues to prevent radical improvements on any level: political, commercial or diplomatic.

Mr Gorbachev and Mr Toshiki Kaifu, the Japanese premier, met twice yesterday, the latter session with only one or two aides each and devoted to the problem of the disputed islands – but without evident agreement. A further session, billed as the final one, is to be held this morning.

All the indications are that Mr Kaifu has urged a series of compromises on the Soviet president – notably, that he return to the Soviet position of 1956, under which two of the four islands were offered and the status of the other two left open. Mr Gorbachev has apparently responded by proposing more talks on the dispute in the future – but with no hint of leaning towards the Japanese position. Most speculation in Tokyo last night pointed to a communique today which recognised the existence of a territorial dispute, but stated the two countries' different positions.

In a speech to the Japanese Diet yesterday, Mr Gorbachev implicitly recognised the existence of the territorial issue – something the Soviet side has previously refused to do. In a passage added to the official text, he said the outcome of the meetings would be a resolution of the issues the war had left behind – "including the most difficult one of all – that of territorial demarcation". In the same speech, he talked of "past mistakes (which) should be corrected".

But these were symbolic gestures to a Japanese audience – and fell far short of the major steps for which Mr Kaifu has asked, and which Mr Gorbachev would have to deliver for substantial amounts of investment and aid to be released.

The main substance of Mr Gorbachev's Diet address – a wide-ranging plea for a new security order in the Pacific, involving a conference of China, India, Japan, the Soviet Union and the US, together with unilateral Soviet military reductions to be followed by multilateral cuts – carried little weight with MPs and was not even put formally to Mr Kaifu by Mr Gorbachev.

A spokesman for the Japanese Foreign Ministry said last night that Mr Gorbachev mentioned only the five-power conference, and otherwise did not raise the security issue. Asked if Mr Kaifu had received the idea without enthusiasm, the spokesman said: "You would not be wrong".

Business cool to plea for economic co-operation

By Stefan Wagstyl and John Lloyd

JAPANESE business leaders yesterday reacted cooly to a plea for economic co-operation from Mr Mikhail Gorbachev, the Soviet leader.

Mr Gorbachev, who is visiting Japan for the first time, made an impassioned appeal for help in a speech to an audience of 550 Japanese businessmen.

He listed oil and gas, forestry, fishing, tourism and other fields where he wanted Japanese collaboration. "Let's not lose time," he said. "Don't hold back from taking part in these great projects."

But his audience showed little enthusiasm, reflecting the Japanese view that the long-running territorial dispute between the two countries must be resolved before economic co-operation can begin and that the Soviet economy is in any case too chaotic to absorb much investment.

Mr Gaishi Hiraiwa, the chairman of Keidanren, the main Japanese employers' federation and host for yesterday's meeting, gave his guest a blunt message. Japanese business would co-operate with the Soviet Union but only on two conditions. "Our two countries must solve their political problems. And since the economic conditions and infrastructure in your country are inadequate, there must be movement towards developing the foundations for an orderly market economy."

Earlier Mr Gorbachev got a similarly cool, though less blunt, response from Mr Toshiki Kaifu, the Japanese prime minister, who also said that Japan would not develop economic relations unless there was progress on dispute over Japan's claim to four islands seized by the Soviet Union in 1945. Mr Gorbachev told his business audience that Mr Kaifu had told him Japan would look at projects on a case-by-case basis.

Taiwan opposition holds 10,000-strong rally

ABOUT 10,000 people marched through central Taipei yesterday shouting slogans and waving banners demanding democratic reform, in a show of strength by Taiwan's main opposition party, Reuter reports from Taipei.

"Down with the old thieves!" protesters screamed, calling for the resignation of elderly deputies of the ruling Nationalist Party, who are holding a National Assembly session to approve the first big constitutional reforms in 40 years.

The Nationalist Party says the constitutional revisions before the assembly will pave the way towards a new era of democracy in Taiwan, which began political liberalisation by ending martial law in 1987.

But the Democratic Progressive Party, which was legalised in 1989 and is heavily outnumbered in parliament, says the Nationalists merely aim to protect their power by including undemocratic revisions, including the retention of emergency powers by the president.

After marching about two miles through shuttered streets, the demonstrators confronted barbed-wire barricades and hundreds of riot police blocking the way to the square in which opposition leaders planned to make speeches.

But three hours into the demonstration, the mood remained peaceful and there was no sign of the widespread rioting that many of the island's 20m people had feared.

Authorities, declaring the protest illegal, threw a cordon of thousands of policemen around several blocks in the city centre. On Tuesday evening, President Lee Teng-hui made a rare speech to the nation to appeal for calm.

In a statement released yesterday, he urged opposition leaders to negotiate with his party and condemned them for "turning their backs on democracy" by holding the protest.

HK government attacked

By John Elliott in Hong Kong

HONG KONG'S government was yesterday attacked by local legislators for running a secretive administration and for failing to disclose details of its plans to build a HK$100bn (£7.18bn) international airport, which has become the subject of a diplomatic confrontation with China.

During a long and tense debate on the project in the colony's Legislative Council, the government was accused of being "draconian and irresponsible" and "out of touch with people on the streets".

This marked a significant escalation in domestic terms of the issue, with the Hong Kong government becoming the butt of public criticism instead of Peking. The diplomatic confrontation has arisen because China wants to establish a measure of control over the project and over other issues before it regains sovereignty in Hong Kong in 1997.

Talks initiated by Mr Douglas Hurd, British foreign secretary, during a visit to Peking failed last weekend. The Hong Kong government is now considering whether to try to reopen talks.

Yesterday's debate was initiated by Mr Martin Lee, leader of the colony's main pro-democracy party, who arrives in London today to urge British politicians to stop Hong Kong giving way to China's demands for a measure of control.

An old Kurdish man and a boy yesterday stroll though the tented camp of Silopi. Thousands of refugees have been moved from terrible conditions at Isikveren in the border mountains to Silopi where aid distribution is better

Safe haven plan brings relief to Turkey but long-term worries over Kurds

By John Murray Brown in Ankara

TURKEY'S sense of relief was all too apparent yesterday after the announcement that the US military is to help establish safe havens in northern Iraq for the thousands of refugees camped on the Turkish border.

Although officials emphasise it is only a temporary solution for the Kurds, the plan clearly lets Turkey off the hook.

Turkey has faced growing criticism from the aid community for confining the refugees to border areas inaccessible to normal relief operations - the main reason for this week's US led-helicopter airlift to the estimated 300,000 refugees on Turkey's southern border. Ankara has argued that the nature of the terrain makes it more practical to assist the refugees inside Iraq. As one official explained, the Iraqi lowlands are some 10km from the border areas while Turkey's flat lands suitable for camps are 150km away.

Voicing support for the plan, Mr Yacob Youssif, a member of the Iraqi opposition, predicted last week that 80 per cent of the refugees would return if their security could be guaranteed.

Ankara's worry now is that the safe havens could all too easily become a permanent Kurdish presence on its southern borders. A main concern for Turkey has been to avoid a repeat of the 1988 crisis when it opened its borders to 60,000 Kurds fleeing President Saddam Hussein's chemical attacks. Of these, fewer than 2,000 were resettled, while almost 28,000 remain in three Turkish camps in the south-east.

The US was flying reconnaissance missions yesterday while US officials confirmed that experts from the Disaster Assistance Response Teams (Dart) were already inside northern Iraq surveying possible sites. Meanwhile in Diyarbakir, UK and French officials were in talks with the US military.

One diplomat suggested the plain between Habur bridge on the Turkish border and the Kurdish town of Zakho might prove the most suitable site.

Yesterday a US military official confidently predicted the refugees could be back inside Iraq within 30 to 40 days.

Mr Murat Sungar, the foreign ministry spokesman, said the plight of refugees could not just be ignored "because there is no consensus in the UN".

Earlier this week, Mr Kurtcebe Alptemocin, the foreign minister, said there would have to be a UN sanction for the plan. However, the ministry said yesterday it was unlikely the Security Council would pass "anything more forceful than 688" – which states that Iraq's repression of the Kurds constitutes a threat to international peace and security.

Before Tuesday's announcement of the safe havens, Mrs Sadako Ogata, the UN High Commissioner for Refugees, said the aid community had to be "imaginative" while conceding that a US military presence might be necessary to secure the safe haven plan.

For all that, it remains unclear how the US can hand over the operation to the UN without further Security Council resolutions.

Turkey says it will provide logistical support to the refugees returning home, airbases to supply the safe havens and national TV and radio to give information on the best routes back into Iraq.

Turkey says it has no plans for a military role inside Iraq. However, its bases at Incirlik and Batman are likely to be used by US and other allied aircraft to police the skies.

Iraq urges UN to relax oil ban

By Michael Littlejohns, UN Correspondent in New York

IRAQ is asking the UN Security Council to relax the ban on the sale of its oil so that Baghdad may obtain a total of $942.5m (£526.5m) to buy food and to meet the devastated nation's "basic humanitarian needs".

UN officials said last night they expect the Council's sanctions committee to meet tomorrow to consider the request. Easing the ban would require the assent of all 15 committee members.

The responses of the United States, Britain and France will be guided by Iraqi action following a decision of the three powers to set up secure camps in northern Iraq in an expanded relief programme for Kurdish refugees fleeing brutal repression by Iraqi troops.

Mr Abdul Amir al-Anbari, the Iraqi delegate, discussed the situation yesterday with Mr Thomas Pickering, the US representative.

He told reporters later: "We believe there is no need for foreign forces to protect the Kurds because they are really protected by our own people."

Mr Javier Pérez de Cuéllar, the UN secretary-general, who discussed the Kurdish crisis in Paris with French officials, again emphasised a need to respect Iraqi sovereignty.

If refugee camps were to be maintained under UN auspices the entire operation must be approved by the Iraqi government and the Security Council, he said.

The western permanent members' attitude towards Baghdad's request to resume oil shipments is expected to be influenced also by how far Iraq goes towards complying with the Security Council's order for the destruction of its chemical, biological and ballistic weapons and nuclear weapon-usable material.

Under the Council's terms for a permanent ceasefire, which Iraq accepted unconditionally last Friday, details of the amounts and locations must be given today to the secretary-general.

The International Atomic Energy Agency in Vienna has to be informed by the same deadline about any nuclear weapons material that Iraq possesses.

An international commission is to be set up to supervise the destruction of all of Iraq's most dangerous weapons.

In his letter to the sanctions committee, Mr al-Anbari said the funds sought would cover the country's most critical needs during the next four months.

At present these requirements exceeded the government's resources and those of international humanitarian organisations.

Among purchases for which cash was sought were 140m razor blades, 40,000 tonnes of laundry detergents and 20,000 tonnes of soap.

Israeli farmer shot dead in border raid

A GUNMAN who crossed from Jordan shot dead an Israeli farmer and wounded three others yesterday before being killed by troops in the second clash in north-east Israel in two days, the army said, Reuter reports from Neveh Ur, Israel.

The army said the infiltrator was one of two Arabs who penetrated the border. It said the area was still being searched.

Security sources said it was not clear whether the gunmen were linked to an attacker who wounded an Israeli soldier before being shot dead early on Tuesday in the same kibbutz.

It was the ninth border infiltration this year.

McCarthy starts sixth year

Journalist John McCarthy, the longest-held British hostage in Lebanon, began a sixth year in captivity with little sign that his ordeal would end soon, Reuter reports from Beirut. Friends and relations of Mr McCarthy in Britain marked the anniversary with prayers and candlelit vigils. Thousands wore yellow ribbons to show support.

No group has claimed responsibility for his abduction. The first firm word that he was alive and well came from Irish hostage Mr Brian Keenan who was freed in August 1990. He had been held with Mr McCarthy.

Mr McCarthy, 34, is among 12 western hostages held in Lebanon – six Americans, three Britons, two Germans and an Italian. Most are believed held by Moslem fundamentalists loyal to Iran.

Kuwait to sign mines contracts

By Mark Nicholson in Kuwait City

ONE OF the first contracts for clearing Kuwait of Iraqi mines and unexploded allied bombs is expected to be signed this weekend by Royal Ordnance, the UK arms company, and the emirate's government.

The deal would be valued "in the low hundreds of millions of dollars," according to one British official.

Unusually, Royal Ordnance, part of British Aerospace, would subcontract much of the early munitions clearance to a 150-strong unit of the British army, the 21st Squadron of the Royal Engineers. Members of the unit would receive army pay – a factor which gave Royal Ordnance a significant price advantage in bidding for the work.

The Royal Engineers would undertake the work for the first four months, after which is it understood that Royal Ordnance would provide its own clearance team.

The emergency clear-up of unexploded munitions in Kuwait – which has concentrated on main roads and civilian areas – has been conducted exclusively so far by allied military units, and is nearing completion. More than 3m munitions of one sort or another have been cleared.

However, the remaining task in the emirate is colossal. Iraqi minefields along the beaches and southern border of Kuwait are untouched, while hundreds of deserted Iraqi ammunition dumps still scatter the city.

One of the most serious problems is the clearance of unexploded allied bomblets, which litter the deserts of north-east Kuwait and large tracts of the southern oilfields, where Iraqi armoured positions were heavily bombed.

Bomb disposal experts in Kuwait estimate that millions of such bomblets remain unexploded – largely because they fell into cushioning sand and failed to detonate.

"Sorting out that lot will take months – to do the oil wells throughly may take years," said Lt Col Mike Brooke of the Royal Engineers, who is co-ordinating the allied clear-up.

Kay Associates, the US ordnance group, has already won a contract to clear up three Kuwaiti air bases. The group had close links with the emirate's air force, for which it provided training before the invasion. States International and UBX, two other large US ordnance companies, are also in Kuwait vying for contracts.

US struggles to shake off Iraq's deadly embrace

Lionel Barber and **Alan Friedman** review a reluctant policy shift

PRESIDENT George Bush's hopes of a quick, clean departure of all US forces from the Gulf lie shattered. By committing between 5,000 and 10,000 troops to northern Iraq to set up refugee camps to shelter, feed and clothe hundreds of thousands of Kurds, Mr Bush has been forced reluctantly into a fundamental shift in US policy.

Until just a few days ago, he hoped to contain relief efforts to the Iraq-Turkey border zones – with the United Nations rather than the US taking charge. Now, under mounting pressure at home and abroad, he has been been pressed into a commitment which seems at best open-ended.

The risks of GIs being lured into renewed clashes with the remnants of President Saddam Hussein's army are obvious. One point in Washington's favour is that Iraqi forces have not been involved in action north of the 36th parallel since the US imposed its ban last week. Further guarantees from Iraq may have been sought via the United Nations – though this has yet to be confirmed or denied by US officials.

"We are operating on the assumption that they (US forces) will not be attacked with the United Nations in there. I think there would be a serious problem for Saddam Hussein if he took on the entire United Nations," a grim-faced Mr Bush told reporters on Tuesday night.

The obvious caveat is that since the end of the Gulf war, Mr Bush and his advisers have been operating on a number of assumptions which to date have proved false.

In the afterglow of a famous victory, the White House was convinced that someone, somewhere in the defeated Iraqi army would lead a coup against Mr Saddam. Once again, US officials, including Mr Bush, under-estimated their opponent's staying power.

At the same time, military and political intelligence appears to have misread the importance of the substantial Iraqi armed forces stationed in northern Iraq near the Turkish border throughout the war.

These forces emerged largely unscathed from the Gulf war, which was fought in southern Iraq and Kuwait. Mr Brent Scowcroft, President Bush's national security adviser, once termed the northern army as "defensive in nature". What Mr Scowcroft and others failed to predict was that these "defensive" forces would turn murderously offensive against the rebellious Kurds in the north and Shi'ites in the south.

On Tuesday night, Mr Bush again sought to justify his reluctance to intervene in defence of those he had at one time incited to overthrow Mr Saddam's regime – an issue which Democratic critics and some Republicans in his own party are forcing him to confront.

"We never implied that," he said. "All along I have said that the US is not going to intervene militarily in Iraq's internal affairs and risk being drawn into a Vietnam-style quagmire."

Even Democrats who supported Mr Bush's decision to go to war – such as Congressman Stephen Solarz of New York – are now complaining that US forces should have pressed on to Baghdad to "finish the job". They have been joined by the much larger group of Democrats, including Senator Edward Kennedy, who supported continuing UN sanctions to remove Iraq from Kuwait rather than the use of force.

The Gulf war was prosecuted with the perceived lessons of Vietnam very much in mind, such as avoiding a half-fought war with unclear objectives and ambiguous public backing. Yet the other lesson is that pulling out a 500,000-strong army at the end of a war in the Middle East – even a conflict lasting six weeks – is unrealistic.

The US, which supported Saddam Hussein with arms, credits and technology for much of the 1980s, has discovered that extricating itself from the deadly embrace with Baghdad is proving a good deal more difficult than first imagined – the famous Gulf victory notwithstanding.

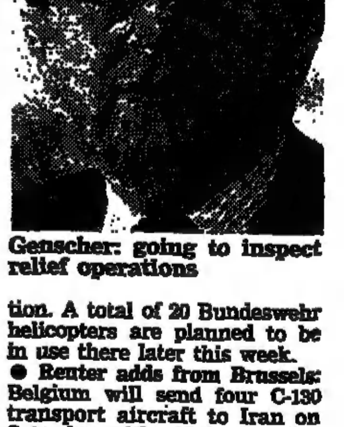
The special UN representative for the Kurdish question said Iraq accepts the establishment of refugee camps in the north, but is wary of foreign troops manning them, AP writes from Ankara. The Anatolia news agenecy reported yesterday from Baghdad, that Mr Eric Suy, a Belgian diplomat, said that Iraq had accepted that the camps would be established for humanitarian reasons, but that allied troops on its soil could be a problem.

Germany boosts relief effort in northern Iraq

By David Marsh in Bonn

THE German government yesterday agreed a sharp increase in aid for Kurdish refugees in the area around northern Iraq, with a total of DM440m ($266m) now earmarked for a humanitarian operation given all-party support in Bonn.

Mr Hans-Dietrich Genscher, the foreign minister, said German hospitals would offer beds for victims of Baghdad's aggression against the Kurdish people. Mr Genscher, who will fly to eastern Anatolia tomorrow to inspect the relief operations, said the lives of "hundreds of thousands" were at stake.



Genscher: going to inspect relief operations

In an unusual display of harmony, the German Bundestag unanimously condemned Iraq's persecution of the Kurdish people as "attempted genocide". A motion proposed by the government and opposition supported the use of military force in the region if necessary to dissuade the Baghdad regime from further action against the Kurds. Yesterday's increase in aid to the refugees, agreed at the weekly cabinet meeting, came as the German army sent more helicopters to eastern Turkey for use in supply missions for the displaced population. A total of 20 Bundeswehr helicopters are planned to be in use there later this week.

● Reuter adds from Brussels: Belgium will send four C-130 transport aircraft to Iran on Saturday with aid for Kurdish refugees, Mr Guy Coeme, the defence minister, said.

Mr Coeme told Belgian radio yesterday that the military aircraft would carry tents, beds and medical supplies to Iran, where the aid would be distributed to Kurdish refugees there by groups working with the European Community.

EC to press Baker for role as Middle East peacebroker

By David Gardner in Luxembourg

THE European Community must play a key role in the Middle East peace process by helping to bridge the gap between hardline Arab states such as Syria, which insist on a UN-sponsored international peace conference, and the more moderate Arab countries, and Israel, which have edged towards the "regional" talks formula favoured by the US.

This was the message EC foreign ministers were expected to give Mr James Baker, the US secretary of state, at a meeting last night in Luxembourg on the eve of his third peace mission to the Middle East.

The Community was also set to reiterate to Mr Baker its insistence on a seat at the negotiating table, alongside the US and the Soviet Union. "There will be no European participation in any [Middle East] economic recovery programme which includes Israel, without our political involvement," stressed a senior EC diplomat.

This position was explained last week to President Bush by Mr Jacques Santer, prime minister of Luxembourg, which currently holds the EC presidency.

Last Friday in Geneva, the EC "troika" – the foreign ministers of Italy, Luxembourg and the Netherlands – gave full backing to Mr Baker's efforts to secure face-to-face Arab-Israeli regional talks. The EC now wanted to make the form of this support "specific", the diplomat said.

The EC feels it usefulness to the process is in part because it has favoured the "international" peace conference sought by Syria and the Palestine Liberation Organisation (PLO).

Such a UN-backed conference would have on the top of its agenda security council resolutions 242 and 338, the "land-for-peace" formula requiring Israel to withdraw from the occupied territories in exchange for a settlement.

EC diplomats argue that "we can cover Syria and the PLO" by co-sponsoring a regional initiative, and providing it with some UN cloak by virtue of Britain and France's membership of the security council. If regional talks were to prosper, in this view, the security guarantees that underpinned them would eventually have to be routed through the UN. A community presence would also, diplomats say, offer some guarantee that the Palestinian issue – kept separate under the "two-track" US formula – would not be pushed irretrievably into the background.

"We believe its in the interest of all parties that a strong Community presence is there," a senior official arranging the Luxembourg meeting said, and Mr Baker "clearly wants the Community involved."

Diplomats believe the EC's political stock has risen in Washington following the European summit's surprise endorsement last week of Mr John Major, the UK prime minister's "safe haven" for the Kurds initiative.

Subsequent moves by the US to back up international relief efforts with a military presence and the threat of force confirm this, they argue.

Last night's talks were expected also due to centre on how best to coordinate the aid and security effort, to see "whether we can steer our initiatives, using the UN, so that we can really protect the Kurds," a senior diplomat said.

هكذا من الأصل

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WORLD TRADE NEWS

Japanese lack confidence in chip talks with US

By Robert Thomson in Tokyo

JAPANESE officials are publicly confident – but privately cautious – about prospects for a quick settlement of a new semiconductor pact with the US government.

A new round of negotiations was to begin here today, but the Japanese Ministry of International Trade and Industry (Miti) said last night that the delayed arrival of US representatives would mean a resumption delayed until early next week.

Japanese negotiators are doubtful that the pact will be settled at this meeting, and say that the US position on several sensitive issues, such as a target for market share for foreign semiconductor chips in Japan, is "unreasonable".

The present five-year pact is to expire at the end of July. US and Japanese industry officials have wanted the new agreement to be finished well before then.

The most serious disputes are problems unsettled from the present pact, including the prickly question of whether Japan agreed that a 20 per cent foreign share was a target.

US officials insist that 20 per cent was part of the agreement, and want at least that figure clearly stated in the new agreement.

At the end of last year, the foreign share was reckoned to be 13.2 per cent.

Japanese negotiators say that, if they allow the 20 per cent figure to be identified, the pact could set a dangerous precedent for managed trade agreements with the US. Tokyo fears that US frustration in disputed areas – ranging from cars to computers – could lead to a rush of market share targets.

"The market share problem will not be settled by the pact negotiators. This is a political problem and it will need a political solution," a senior Japanese trade official said.

Miti officials expect that they will have to include a reference to 20 per cent somewhere in the new agreement, but they want the final wording unclear enough to make any claim by Washington to establish the pact as a precedent for other products difficult to secure.

Although the concept of a target remains disputed, Japanese negotiators say that the two sides are close to agreement on how to measure the market share. Until now, two sets of figures have been used – a survey of chip-makers by the independent World Semiconductor Trade Statistics (WSTS) body and a Miti survey of users.

Since the start of negotiations, the Japanese government has insisted that Washington drop sanctions imposed under the present agreement. One negotiator said US officials presume that "we will drop our opposition to the 20 per cent figure", if the sanctions are removed.

"We know that they are using these old sanctions as a bargaining chip. It is quite unreasonable. The sanctions are ridiculous and our concerns about the 20 per cent are very reasonable," he added.

UK business campaigns to double sales to Japan

By Andrew Taylor

A CAMPAIGN to double British exports to Japan during the next three years was launched yesterday by chairmen and chief executives of some of Britain's biggest companies.

Companies will be encouraged to establish offices and manufacturing capacity in Japan. Previous sales campaigns supported by the UK Trade and Industry Department have concentrated on promoting exports, rather than investment, in Japan.

The aim is to raise the value of British exports to £5bn, compared with £2.63bn last year, said Mr Michael Perry, vice-chairman of Unilever and chairman of the Priority Japan campaign. "An important objective over the next three years will be to increase market share as well as the value of exports."

The campaign – launched yesterday by Mr Perry, Sir David Plastow, chairman and chief executive of Vickers engineering group, and Sir Paul Girolami, chairman of Glaxo pharmaceuticals group – is being supported by the DTI and the British Overseas Trade Board.

Mr Peter Lilley, Trade Secretary, said the government would provide financial support of £400,000 during the first year of the campaign.

Perry: After bigger share

Seeking a Third World accord after a near miss

Peter Montagnon assesses progress in OECD talks on subsidy reductions for export credits

WEEK-LONG talks in the Organisation for Co-operation and Development have broken up without final agreement on a package of subsidy reductions for export credits and tied-aid loans to developing countries, but hopes remain that a deal can be struck before June.

Participants described the outcome as a "near-miss" rather than a breakdown, after two years of often contentious discussion. A further meeting is expected about May 17 to see whether final agreement is possible.

They said the outlines have now emerged of a possible package which would:

- Eliminate routine interest rate subsidies on export credits to all developing countries, although a transition period would be allowed for loans to the poorest countries.
- Impose strict limits on the use of tied-aid credits (export credits sweetened with aid funds).

The draft package lists a range of circumstances in which such credits would be banned altogether unless they had a minimum grant element of 80 per cent, making them prohibitively expensive.

Everything now hinges, though, on whether agreement can be reached on how the package would be implemented. Delegates said it was still far from certain whether hard-line governments, such as that of the US, would consider it had enough bite to be worth accepting.

Under the draft, the 80 per cent minimum grant rule would apply to credits for all projects which would normally be commercially viable.

Exception would be made for deals involving the poorest developing countries as well as some slightly better-off nations that are still eligible for concessional loans from the World Bank's IDA affiliate.

The minimum grant would also apply on all tied-aid credits, regardless of the commercial viability yardstick, to richer developing countries. These are defined as countries too prosperous to be eligible for World Bank loans of more than 17 years, the ceiling now being per capita income of $2,335.

The 80 per cent minimum grant might also apply on loans for all unusually large projects, starting with those whose value was about $100m.

Conditions such as these should be sufficient, in theory, to allay US worries that markets for certain products, such as telecommunications, were being spoiled by mixed credits. The US has also become worried about the way in which mixed-credits have become necessary to win any capital goods business at all in certain countries, such as Indonesia.

Considerable uncertainty remains, even so, about the definitions and implementation. In particular, delegates say there is no agreement yet about how to define the yardstick of commercial viability. Only if points such as this can be ironed out will it be possible to present a package to finance mninisters for ratification at the OECD annual meeting in June.

A further issue which remains to be settled is the degree to which the package would be enforceable.

Some exemptions might be allowed, but only after detailed consultation procedures, culminating in some cases with the donor country being forced to make a written explanation to the OECD secretary-general.

GE invests in Austria

By Charles Leadbeater, Industrial Editor

GENERAL Electric of the US yesterday strengthened its position in European power generation markets through a $2.5m investment in Elin Energieversorgung, the Austrian power plant contractor, to underpin a broad joint venture by the two groups.

The venture will put GE's expertise in gas turbine technology and combined-cycle power stations with Elin's power contracting activities in designing and managing the building of power stations. GE will thus take about 5 per cent of Elin Energieversorgung.

Elin said the joint venture would concentrate on power projects in Austria, the other German-speaking areas of central Europe and Scandinavia. The two groups will also collaborate in the Far East and south-east Asia.

ODA 'out of credit funds'

By Peter Montagnon

THE UK'S Overseas Development Administration (ODA) has already run out of money for spending on mixed credits in the 1991-92 fiscal year, according to an assessment by the Export Group for the Constructional Industries.

The current year's allocation was quickly swallowed up by a surge of business in the Far East, notably Malaysia, the group said.

ODA only publishes figures for past spending on mixed credits and does not normally say how much will be available when its aid budget, now running at a total of some £1.8bn, is established each year. Yesterday, officials confirmed that a large number of successes so far this year means that the forecast for spending over the entire year had been exceeded.

However, ODA said it was still prepared to consider mixed credit deals that would not involve government spending before Aporil 1992.

Hungarian claim

HUNGARY'S questionable trade claim against Moscow has reached $1.8bn, much of it built up after Soviet solvency had been thrown into doubt, writes Nicholas Denton in Budapest.

In the first quarter, Hungary ran a current account surplus on non-convertible trade of over Rbs600m, the bulk of that with the Soviet Union, according to Hungary's central bank. This concluding rouble balance is expected to bring the ultimate accumulated surplus with the Soviet Union to about Rbs2bn ($1.8bn at the agreed conversion rate).

AMERICAN NEWS

Industry is hoping the government will not allow these locomotives in Dolton, Illinois, to stand idle much longer

US copes with rail strike, but a day could make the difference

Industry is holding its breath report **Nikki Tait** and **Barbara Durr**

US INDUSTRY was hoping yesterday that Washington would intervene quickly to halt a national rail strike that threatened to disrupt the economy. The American Association of Railroads said the stoppage, which began yesterday morning, was affecting freight traffic across the entire country, with picketing widespread.

The association said it was not aware of any freight carrier which was trying to operate, although Amtrak passenger traffic in the north-east seemed to be flowing normally.

The Illinois Central Railroad said: "If it drags on, some customers that are dependent on rail transportation will have some real problems. They won't be able to get product out of their plants."

Mr Thomas Hanna, president of the Motor Vehicle Manufacturers' Association, said 70 to 80 per cent of motor manufacturing plants would be affected within 24 hours. All sites could be closed by tomorrow.

Chrysler has warned about "massive closures" in the industry if the strike were to drag on, but said yesterday morning it had made no immediate changes at its plants. It warned, though, that the position "could change in a day".

USX, the steel and natural resources group, also suggested that there was unlikely to be any impact from the first day of the strike. It declined to say when the halt in railroad traffic might start to bite, but steel companies generally will probably be affected in a matter of days rather than weeks.

USX said it had "done what it could" by stockpiling raw materials before the stoppage, and by lining up alternative means of transport.

The coal industry is also hoping for a short strike. Most US coal production is shipped by rail but, with winter over, the seasonal peak has past.

Industries including chemicals, ore, and lumber, as well as second-, third- and fourth-class mail, also face slowdowns or outright stoppages if the strike is prolonged.

The US Postal Service said it stopped sending mail via rail last weekend and planned to use trucks until the strike was settled.

Minneapolis-based Cargill, one of the largest American grain companies, said it was working closely with customers to manage supplies and was operating its businesses by using alternative transport, stockpiled materials and additional storage facilities.

Grain elevators, most of which use railways for shipping, are also being affected. There was no immediate impact on prices for grains and livestock on the Chicago futures markets yesterday.

Livestock moves largely by truck and this is not the critical harvest time in the US grain season. In any case, traders do not believe the government will allow the strike to continue more than a few days.

Chicago area companies that depend on rail shipments for supplies would be safe for the moment from the strike, if they have built up stocks. R.R. Donnelley, one of the largest US printing and publishing houses, for example, says that it is using stocks and increasing these by truck.

Trucking companies reported rising business as a result of the strike, but played down notions of massive additional demand. "It's been a trickle effect," said Arkansas-based J.B. Hunt. "It started slowly yesterday, and all our capacity is now fully utilised."

Ryder System, another big trucking group, painted a similar picture. "Huge would be too strong a word for the upsurge," it said. "We have seen quite a few requests in the past week," mainly from companies which had "extremely time-sensitive requirements".

In Chicago, the biggest worry was commuter transport. However, some 75,000 Chicago-area commuters were virtually unaffected yesterday morning after a court order late on Tuesday had required the Chicago and Northwestern Transportation Company, one of the largest commuter lines, to continue operations. The case was brought by Metra, the Chicago-area commuter agency which contracts the railways. The order is to last 10 days.

Railway companies had turned down union offers to keep operating the commuter lines, saying they would close all operations because of fears of vandalism and passenger safety.

Mr Jeffrey Ladd, Metra chairman, said C&NW was trying to inconvenience commuters so as to press Congress into legislating a solution unfavourable to the unions. He accused the company of a "lack of corporate citisenship".

Incoming car traffic to Chicago, was normal. Service on Amtrak between Chicago and other key mid-western cities such as Milwaukee and Minneapolis was expected to be disrupted.

US: COMMODITIES CARRIED BY RAIL (1990)

Commodity	% of total carloads
Coal	38.4
Chemicals	8.4
Grain	8.3
Metallic ores	5.2
Motor vehicles and equipment	4.9
Crushed stones, sand, gravel	4.4
Others	30.4
TOTAL CARLOADS	17,415,507 (100%)

Source: Association of American Railroads

Bush meeting with Dalai Lama risks Chinese anger

By Our Foreign Staff

PRESIDENT George Bush has held a meeting in Washington with the Dalai Lama, the exiled spiritual leader of 6m Tibetans, risking an angry reaction from Peking.

The Tibetan leader, forced to leave his homeland by China in 1959, has frequently had meetings with members of the US Congress which has voted over the years against Chinese actions in Tibet, but his first meeting with President Bush was politically significant.

"The president is meeting him in his capacity as a respected spiritual leader and Nobel Prize winner," the White House said in a brief notice attempting to play down the meeting held at the White House on Tuesday evening.

Reporters and photographers were not allowed to record the start of the meeting, as is customary, and no details of the talks were released.

Since the US and China normalised relations more than a decade ago, the White House has snubbed the Dalai Lama on previous visits.

US-Chinese relations are now under strain because of reported arms sales by Peking to the Middle East and the possibility Washington may withdraw most favoured nation trading status for Chinese exports.

Peking is likely to respond angrily to the meeting. For several weeks the media in Peking has been carrying almost daily stories on what is officially known as the "peaceful liberation" of Tibet. In the run-up to the 40th anniversary on May 23 of the "liberation," which Tibetans regard as an occupation of their country, tension is reported to be mounting in the capital, Lhasa, where the Chinese army has applied tough repressive measures.

Tibetan resentment against Chinese plans to erect a 70m high monument in Lhasa to mark their rule over Tibet, and for a major celebration on the anniversary day, threaten to lead to outbreaks of violence those who feel there is only cause for sorrow.

President Bush's meeting with the Dalai Lama contrasts sharply with the refusal of Mr Douglas Hurd, the British Foreign Secretary, to see the Tibetan spiritual leader on his visit to the UK last month.

China has in the past successfully applied pressure to refuse the Dalai Lama entry to Thailand and Nepal. His supporters in Washington have expressed outrage at what they see as similar attempts by China to apply pressure to disrupt his US visit.

Argentina sees sharp decline in inflation

By John Barham in Buenos Aires

MR Roque Fernández, president of Argentina's central bank, has predicted that "as from May, inflation will be zero or close to zero".

Less optimistic officials say they expect inflation to fall gradually to about 10 per cent a year. Unofficial forecasts indicate April's rate may range between 4 per cent and 6 per cent. Prices rose by 11 per cent in March, less than half February's rate of 27 per cent.

Argentina introduced its toughest adjustment policy yet on April 1, when it implemented legislation forbidding the central bank from printing money to cover the government's spending deficit and made the currency convertible.

Mr Fernández also said the government hoped to reach agreement with the IMF this month opening the way for a standby loan of about $1bn.

Country tries to shed its image as the black sheep of Latin America

Brazil seeks to boost standing abroad

By Christina Lamb in Brasilia

THE Brazilian government is to launch a campaign to improve its international standing, after last week's agreement with foreign bank creditors on the payment of arrears.

"We feel we've turned a corner with this accord and can now hope for a new climate in our international dealings," said Mr Marcos Azambuja, director-general of the Brazilian foreign office. "The impasse with the banks was like an albatross round our necks. Now it's time we got Brazil back into fashion".

As part of this move, Ms Zélia Cardoso, Brazil's finance minister, is planning trips to Japan, Europe and the US to try to recapture the support initially given to the government's adjustment plan. President Fernando Collor plays host to Britain's Prince Charles next week and, in June, will visit President George Bush.

Before the US visit, Brazil intends to remove the major thorns in trade relations between the two countries by introducing patent protection and ending a law which prevents importing of information technology similar to products manufactured in Brazil.

Brazil is blacklisted by the US commerce department for failing to deal with these matters and for pirating of US films. The US, Brazil's biggest creditor, was most instrumental in the recent delay by Group of Seven countries of a $350m loan from the Inter-American Development Bank.

This loan is expected to be released soon, following the accord on arrears, but Brazil is still far from shedding its image in the international financial community as the black sheep of Latin America.

While many Brazilian officials regard their country as a golden egg which outsiders are eager to get their hands on, potential investors are increasingly moving into Mexico, Chile and Venezuela.

Brazil's image has not been helped by what seem *ad hoc* decisions, such as the suspension last month of coffee exports, which caused chaos on world markets, or drastic moves such as the government's seizure of 80 per cent of domestic assets and savings last year.

Mr Toshiro Kobayashi, director of the Bank of Tokyo, said: "Brazil is seen outside as a country one cannot trust. It needs to forget the illusion that it is a great and rich country, where everything one plants turns to milk and honey, and torealise that there are other countries where one can make money without fearing that debts won't be honoured and contracts will be breached."

Brazil's next step towards normalising its international relations starts next Monday, with the arrival of an IMF mission, but continuing economic instability means an early agreement is unlikely.

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Ceasefire boosts talks on Ulster

By Our Belfast Correspondent and Ralph Atkins

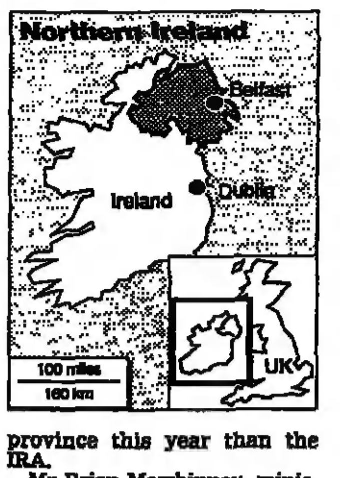
LOYALIST PARAMILITARIES in Northern Ireland last night said they would enforce a qualified "ceasefire" to coincide with the start in less than two weeks of formal talks on the province's political future.

A statement issued in Belfast by the so-called "Combined Loyalist Military Command" said the suspension of operational hostilities was a genuine attempt to assist the talks process initiated by Mr Peter Brooke, Northern Ireland secretary.

However, the statement said loyalist groups retained the right to take what it called "defensive or retaliatory action" – assumed to mean in response to action by the Irish Republican Army.

Although the gesture comes from organisations abhorred by the government and the province's constitutional parties, it gives a further fillip to Mr Brooke who defied the expectations of many in winning agreement last month for round table talks.

Loyalist murder gangs in Northern Ireland have been behind far more killings in the province this year than the IRA.



Mr Brian Mawhinney, minister of state at the Northern Ireland Office, had earlier announced a starting date of April 30 for the round table-talks which will cover alternatives to the 1985 Anglo-Irish Agreement as well as devolution in the province.

Details of the three or four man negotiating teams are expected to be announced shortly by the four political parties involved.

The ceasefire move follows a series of meetings recently between leaders of the outlawed Ulster Volunteer Force and the Ulster Defence Association, which is still legal in the province.

The UVF, sometimes using its flag of convenience, the Protestant Action Force, has been behind 11 murders in recent weeks. One outrage last month in which two teenaged girls and a young man were shot dead at a mobile shop in County Armagh horrified all sections of the community.

Mr Peter Robinson, deputy leader of the Democratic Unionist Party, welcomed the ceasefire saying it was indicative of the mood of the vast majority of people who wished to see peaceful solutions to Norther Ireland's problems.

British and Irish minsters will meet a week tomorrow for a conference under the 1985 agreement, which Unionist leaders are anxious to see replaced. After then the workings of the agreement will, in effect, be suspended for about 10 weeks while talks take place. Round table talks will start with a brief series of bilaterals with Mr Brooke to agree an agenda.

● The Garda, the Irish police, have launched a high level inquiry into reports that a top secret Garda document was in possession of the IRA and had led to the murder of a protestant man in Northern Ireland.

Mr Ian Sproule was shot dead by the IRA outside his parents home in County Tyrone last Saturday morning. The Garda document reportedly listed Mr Sproule as a member of the Ulster Volunteer Force, an illegal loyalist paramilitary group.

The document allegedly says Mr Sproule had been responsible for incendiary attacks on premises in the Irish Republic in 1987.

The Northern Ireland Office said it had expressed concern about the allegations to the Dublin government. It said: "The greatest care must be taken with information of such sensitive nature," and hoped the Garda investigation would be "swift, full and comprehensive".

Excitement found in middle lane

Ivo Dawnay discovers the driving passion within the Green Party

FOR MORE than two-and-a-half years, the political control of Nottingham City Council, has depended on the antique mechanics of a 10-year-old, scarlet Ford Escort.

In that time, its owner - 68-year-old Councillor John Peck, DFC - has successfully negotiated both uncounted traffic hazards and the potential pitfalls of holding the balance of power in the central England authority between 27 Labour and 27 Tory colleagues.

A journey in this politically-crucial machine, nonetheless, gives the lie to the claim that the homely world of local government is unexciting.

As Mr Peck - travelling at about 22mph on a busy commuter road - explained his agonised decision to abandon communism for the Green Party, there were several moments your petrified reporter was convinced that his pivotal role was granted only by the grace of God.

If his driving skills might be questioned, Mr Peck is undoubtedly a formidable argument in the case for devolved power.

By successfully campaigning on issues like grass-cutting and street-lighting, he has kept Labour in power and in check. His most prestigious victory was won by voting with the Tories to halt industrial development on local allotments.

Above all, he believes politics should be as close as is feasibly possible to the people

LOCAL ELECTIONS
NOTTINGHAM

it affects. As an example, he cites the case of a High Street amusement arcade opposed locally and at council level but that eventually won approval on appeal.

"If the dispute is between people on the ground and the planning authority, then go to arbitration," he argues. "But if there is not a dispute, then I don't see why some bugger in bloody London should interfere."

As must be the case in many of the local elections now under way, "bloody London" - birthplace of the poll tax and instigator of the squeeze on local spending - is probably more crucial to Nottingham than who runs the council.

With Nottingham Forest football team in the FA Cup Final, busy shopping centres, a diversified business base and a prize-winning polytechnic, the city appears to be weathering recession almost cheerfully.

Local development needs - a new Light Rapid Transport system and electrification of the Midland railway - enjoy all-party support. So , too, does the desire to win back the powers granted to the county council in the 1974 re-organisation.

Indeed, one understandably anonymous local businessman conceded that many of his colleagues were as happy to see Labour in the magnificent 1929 Council House as the Tories.

"Both lots agree on the main issue of fighting to develop Nottingham," he said. "The headline-grabbing issues are always peripheral."

That view is fiercely contested by the two main parties which are aware that with three marginal Westminster seats (one Labour, two Tory) at stake, Nottingham is a weather-vane for the imminent general election.

To make it more central still, the city's battles are being fought on propaganda and ideological territory strongly similar to that mapped-out in national headquarters.

In consequence, Mr Bill Bradbury, the no-nonsense Tory leader, concedes that Labour has so far successfully sold its "modern" image. But he goes on to warn of a hidden agenda of irresponsible high-spending and "loony" leftism which once included a "world first" of gay swimming sessions at city pools.

Mr John Taylor, Labour's bearded deputy leader, counters that his party is now the champion of "enabling local government" in partnership with the private sector, while the Tories inhabit an out-dated Thatcherite past of ineffective market forces.

Pointing to a number of development schemes for vacant land, he says constructive intervention in the local economy is the only alternative to simply leaving Nottingham's future to the ebbs and flows of the national economy.

Bounce that claim back off Councillor Bradbury and he will replies that several of the projects were actually initiated by the Tories.

If the party political arguments soon sound sterile, however, the Nottingham microcosm is an interesting reflection of the national picture. Both parties are wrestling for the centre ground on plaforms of sound management based on private and public sector partnership.

With the poll-tax fiasco and the Tories' high 1987 vote achieved on a tide of national affluence, Labour must, and almost certainly will, win outright control of the city this time. But whether the margin will be adequate to augur a General Election victory remains doubtful.

As one neutral city leader put it: "If interest rates drop to 10 per cent and inflation is down to five per cent, that is also pretty persuasive."

BRITAIN IN BRIEF

2m register for Scottish power shares

About 2m people have already registered to receive application forms to buy shares in the two Scottish electricity companies, to be floated by the government at the end of May.

The registration figure is similar to that achieved at this stage of the much larger flotation of the English and Welsh regional electricity companies. The May 30 flotation of Scottish Power and Scottish Hydro-Electric is expected to raise £1.5bn to £2bn if, as expected, the government sells 100 per cent of the companies.

Incentives and conditions for Scottish electricity customers who buy shares in their own electricity companies are similar to those offered to customers of their UK counterparts.

Tourist input 'is ignored'

The government fails to recognise the tourist industry's importance to the British economy and fails to offer sufficient support to attract foreign holidaymakers, an all-party parliamentary tourism committee was told.

The £10.1m allocated to the British Tourist Authority for marketing Britain abroad was "totally inadequate," said Mr Prys Edwards, the chairman of the Wales Tourist Board. The French government was spending £4m on advertising in the UK alone and Turkey was committing £1.5m.

Move to extend war-crime bill

Recent Iraqi war crimes and Second World War crimes in Japanese-held territories against UK subjects could be covered in the government's war crimes bill, if one of its former leading opponents has his way.

Lord Campbell of Alloway, the Tory peer who led the successful revolt against the bill last year, has put down a motion to extend the bill to war crimes committed in Iraqi-held territories since its invasion of Kuwait, and areas held by the Japanese during World War II. It would also allow amendments to try to ensure fair trials.

It is the first time this arcane tactic of extending the scope of a bill in the Lords has been tried for more than 80 years. It was last used successfully in 1899.

Families are better off

Families had to spend less in February to maintain the same living standards as in the previous August, according to a survey out today.

The Reward Group's biannual cost of living survey for March showed that costs of goods and services were slightly lower than in August 1990 and only slightly higher than the same time a year ago.

Travel body levy rejected

The government has turned down a call from the Association of British Travel Agents for a levy on all package holidays to provide a safety net for tour companies that go bankrupt.

ABTA had asked Edward Leigh, minister for consumer affairs, to support a levy of 1 or 2 per cent on all package holidays sold this year.

Labour hits at water standard

Drinking water in some areas could pose "a significant risk to health" because the government had secretly allowed privatised water companies to relax standards, said Mrs Ann Taylor, the opposition Labour party's minister for environmental protection.

She said some companies had been given "blanket relaxations of toxic and microbiological standards," at the same time as the government was giving assurances that water would be brought up to European Community criteria.

But Mr David Trippier, environment minister denied the claim and accused her of "the worst sort of scaremongering."

Baron sees loss of sovereignty

Further surrenders of national sovereignty by the 12 member states of the European Community were envisaged by Baron Hermann von Richthofen, the German Ambassador to London.

He said that the pooling of sovereignty which had occured through the creation of Nato and the United Nations was likely to continue as the EC progressed towards economic and monetary union.

Deficit highest for 3 years

The government recorded a deficit on its public sector finances last month of £3.1bn, the highest for three years. The figure illustrates the deterioration in public sector finances in recent months, largely as a result of the recession.

It underlines fears among financial analysts that the government's forecast £8bn deficit in 1991-92 may be over-optimistic. Some economists believe it will turn out as high as £12bn.

The deficit for March, the last month of the 1990-91 financial year, was roughly £600m higher than anticipated. It was caused mainly by a surge in local authority borrowing and lower than expected tax revenues.

Mercantile hit by fire

Two floors of the 12-storey headquarters of Mercantile Credit, the consumer credit and leasing arm of Barclays Bank, were gutted by fire. Other floors of the block in south-east England were seriously damaged by smoke or water.

The company, whose main computer centre is in north London, said no data was lost. Customers were being referred to the group's branches while urgent efforts were underway to find temporary accommodation for the 1,000 people normally employed in the building.

BP to sell gas to industry

British Petroleum said it will sell a third of its gas from the Brae field in the North Sea to British Gas, keeping over 100bn cubic feet of gas for sale directly to industrial customers.

BP says this arrangement is the first of its kind in the UK where big producers usually sell directly to British Gas. The Brae field is due to come on stream in 1994.

Green policies sway funds

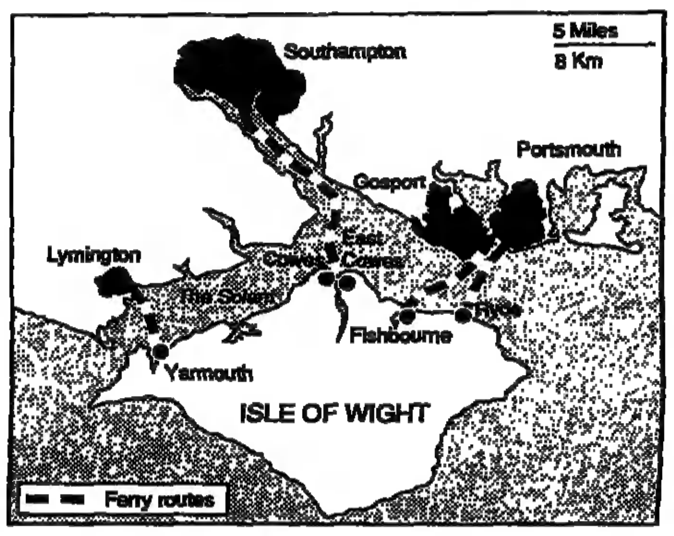
Institutions consider a company's environmental record before deciding whether to buy its shares, according to research.

Eighty senior fund managers each responsible for investing at least £150m in equity, were questioned in a survey last summer.

Forty per cent of investors questioned said a company's environmental strategy was an important factor in their investment decision, while 58 per cent said a coherent and effective environmental strategy enhanced their view of a company and 67 per cent believed environmental factors had a significant impact on a company's business. Only 11 per cent believed they were not significant.

The survey concluded that British companies were not doing enough to improve their environmental image - 67 per cent of institutional investors questioned said less than one British company in five had a coherent environmental strategy.

Ferry costs investigated



Ferry services between the British mainland and the Isle of Wight, off the south coast, are to be investigated by the Monopolies and Mergers Commission following complaints that the services is among the world's most expensive in relation to the length of the crossing. There is no fixed link between the Isle of Wight and the mainland, so people on the island are wholly dependent on the ferries. The biggest operator in the market is Wightlink, part of the Sea Containers group.

هدية من الاهل

Simon Holberton looks at a survey of executive salaries and bonuses in Britain

Directors pay outstrips inflation and profits

BRITAIN'S top businessmen are still awarding themselves pay rises well in excess of inflation and the growth in company profits.

This is in spite of calls for pay restraint in the light of the recession and the UK's full membership of the European Monetary System.

A survey of top pay deals by the Confederation of British Industry, the employers organisation, and Hay Management Consultants, showed an average rise in base salaries of 14 per cent from August 1990 to January this year, compared with the same period a year earlier. Bonus payments showed an average rise of 10.6 per cent.

The continued rise in top executive pay compares unfavourably with inflation and the growth in company profits. Over the same six month period, the retail prices index rose by an average rate of 10 per cent. Company profits, by contrast, fell by more than 6 per cent, according to government figures.

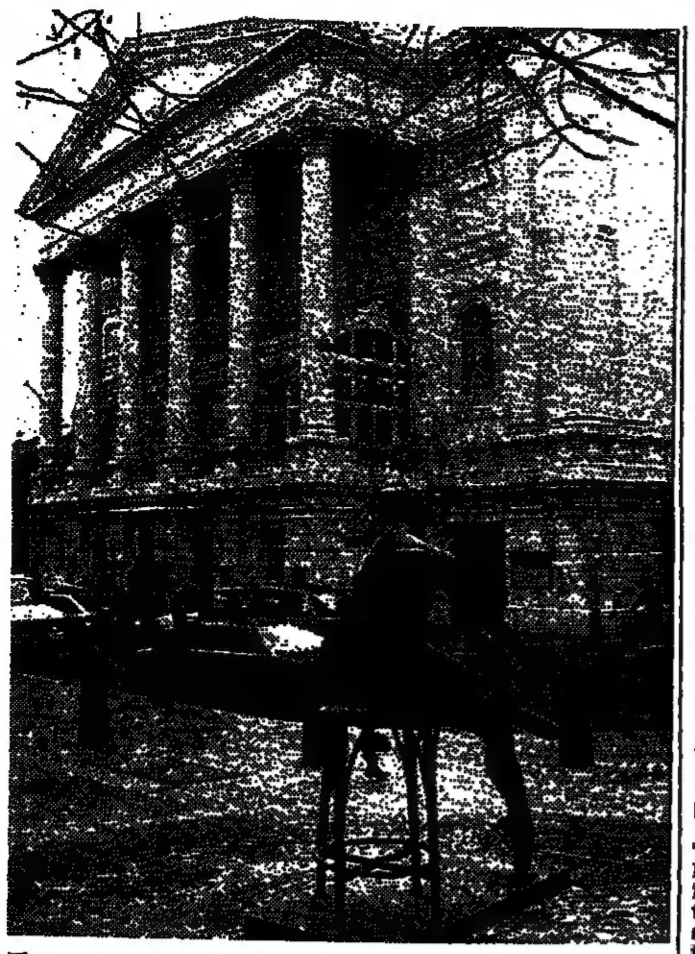
The growth in executive pay, following the economic boom of the late 1980s, has become a boardroom issue. ICI directors' pay was cut last year and this week Lloyds Bank froze the pay of executive directors and general managers.

The publication of this report has threatened a six-year relationship between the CBI and Hay. The CBI said yesterday it "disassociated" itself from the survey. It had not seen the results or the press announcement which Hay issued. Hay admitted a mistake in issuing the press announcement before the CBI had been able to see it.

The CBI said there was evidence that companies had cut top pay or deferred pay rises. "But we appreciate that the pay of some top managers is rising too fast and must decelerate in order to match more closely the present economic climate," she added.

Hay said yesterday that the "average" rise in top pay disguised a wide variation in movements in salaries across industry from 1½ per cent cut in salary to a 47.4 per cent increase. Bonuses varied from a cut of 20 per cent to an increase of 46.5 per cent.

The pay consultancy said it had found evidence that incentive programmes were being revamped. Some schemes were incorporating incentive elements which require top managers to maintain a long-term perspective on their businesses. Hay said there was the beginning of a trend where top pay would include relatively less fixed pay and more performance-related pay.



Improved fortunes for opera

THE Royal Opera House, Covent Garden, pictured above, which budgeted to make a loss £1.9m in 1990-91, has actually produced a profit of £1.1m. As a result its accumulated deficit is now £1.7m rather than the £4.7m shortfall that was forecast, writes Antony Thorncroft.

The turnround has been achieved partly by attracting record audiences of 94 per cent of capacity but mainly by selling off one of its properties for a £1.6m profit.

Announcing the improved fortunes yesterday the general manager Mr Jeremy Isaacs said that he hoped to clear most of the deficit in 1991-92.

Seat prices will be increased in September by an average of 11 per cent, bringing in an extra £700,000 in revenue, while savings of £300,000 from staff reductions, and £400,000 from changed overtime practices are planned.

Mr Isaacs said he was opposed to increasing prices, which had risen 140 per cent over the last five years, and were now higher than those of any comparable opera house in Europe. He hoped an Arts Council report would prompt an increase in subsidy enabling prices to be held down.

Since 1985-86 the contribution of subsidy to the ROH's income had fallen from 53 per cent to a projected 38 per cent in 1991-92. This compares to over 80 per cent of income received as subsidy by the opera houses in Berlin and Paris, and around 75 per cent in Vienna, Munich and Milan.

The increase in prices will be greater among the more expensive seats, with the top ticket price for many productions rising to £113. Prices for ballet will rise to a maximum of £54.

UK employers give qualified welcome to Labour strategy

By Michael Cassell, Business Correspondent

THE Confederation of British Industry, the employers' organisation, yesterday described the opposition Labour Party's strategy for industry as "closer to the real world" than for many years, although it retained serious doubts about the party's ability to tackle inflation and control public sector wages.

Mr John Banham, the organisation's director general, was speaking in London at the public launch of the CBI's own manifesto for business, intended to provide a framework for economic progress over the next decade.

He said that Labour's proposals for strengthening Britain's industrial base and raising training standards would be considered by the CBI council next week.

The CBI, he said, would support plans for a partnership between government and industry intended to strengthen the nation's manufacturing base, although it did not want a return to the "sham" of a corporate state.

Mr Banham suggested that the party's proposals for stepping up investment in national infrastructure, for supporting smaller businesses and for pursuing a more creative approach to competition policy also appeared welcome.

But he stressed there were notable omissions in Labour's plans. It was not clear, for example, how Labour intended to contain inflation to the low levels demanded by British entry into the exchange rate mechanism, while Labour's manufacturing strategy was in danger of drawing an artificial and potentially damaging distinction between services and manufacturing sectors.

In its business agenda, the CBI singles out as priorities for the next years the defeat of inflation, the raising of investment in equipment, skills and infrastructure to levels achieved by Britain's major competitors and a change in national attitudes towards manufacturing.

The organisation's agenda also repeats earlier calls for Britain to adopt the narrow bands of the ERM as soon as practicable, for measures to rebuild personal savings and help prevent another house price boom and for a move way from the indexation of benefits and tax relief.

Government expands pay review system within UK

Andrew Adonis on a structure for teachers' awards

THE decision to establish a pay review body for teachers in England and Wales announced yesterday by Mr Kenneth Clarke, the education secretary, marks the culmination of years of bitter conflict in education between trade unions and the government.

Teachers, deeply troubled since their 1985 strike and the collapse of the Burnham negotiating machinery, join a range of other public-sector professions - doctors, dentists, nurses, paramedics, senior civil servants and those in the armed forces - covered by pay review bodies.

The new structure is the first to be set up since that for nurses, midwives and health visitors was established in 1983 and adds 400,000 employees to the 900,000 at present covered by review bodies.

The decision also represents a significant change of heart by the government, which until yesterday was committed to restoring pay negotiations between teachers and education authorities.

No two review bodies are quite alike -
The review body for teachers will be the only one to cover conditions as well as pay - yet the similarities are more marked than the differences. All the bodies have the same function: to recommend annual pay increases based on comparisons with the private sector and assessments of recruitment and retention.

Most of their members are drawn from professionals in the sectors they cover, with a few academics. The secretariats come from the Office of Manpower Economics, which safeguards autonomy and ensures some uniformity of output.

They also share a weakness. They are bound by Treasury inflation forecasts, which have been notoriously optimistic in recent years.

Moreover, the government reserves a veto where it believes "wider economic considerations" should override review recommendations.

More often than not, recommendations are watered down, usually by ministers staging payment of awards across the year, which reduces their value in real terms.

A review body for teachers may ease the acrimony of the past five years, but any gains beyond that are far from assured.

The recommendations of this year's Interim Advisory Committee (9.5 per cent for teachers, 12.75 per cent for headteachers) were on a par with those of the review boards, as was the government's decision to pay the increase in stages.

"Pay review boards are not a panacea," says Mr Chris Trinder, senior research fellow at the Public Finance Foundation. Differentials between public and private-sector pay have barely narrowed and pay review boards have been notably reluctant to introduce performance pay.

Mr Trinder points out that under four years of Lord Chilver's interim advisory committee, teachers in England and Wales saw their pay fall below levels in Scotland, where teachers have retained direct negotiating rights.

Much will hinge on the government's readiness to honour pay review board recommendations.

"The review bodies are there to protect the pay and conditions of public-sector employees, but who is there to protect the review bodies themselves?" asks the Income Data Services research group in a recent report. Teachers may soon be asking the same question.

Inside the barometer of the UK economy

By Rachel Johnson, Economics Staff

THE homely history of the retail prices index – the barometer of the UK's domestic economy – has been laid bare by the government.

In a book published yesterday, the Central Statistical Office examines "the ups and occasional downs" of inflation, the purchasing power of the pound and the composition of the RPI's traditional shopping basket of goods and services.

The shopping basket reveals most about technological innovation and trends in consumer spending since 1914, when the government started monitoring the cost of living.

Candles, corset lacing and mangles were part of the index in 1914 as they were part of a typical shopping list of consumer goods.

To maintain the RPI's reputation as the Rolls Royce of official statistics, the CSO reviews the basket every year to accommodate fashion, new products and changing markets, and candles and mangles have long been replaced by ready-cooked meals, satellite dishes, microwave ovens and compact disc players.

When sales of black and white television sets declined, for example, they were dropped.

The book shows that over the last 76 years, the recorded annual rate of change in prices varied from about minus 28 per cent for January 1922 – in the depression which followed the post-war boom – to plus 26.9 per cent for August 1975.

Since 1947, when the RPI started coming out monthly, prices have increased 18-fold. One pound in 1914 had shrunk to between 2p and 3p in purchasing power by 1990.

Family spending patterns have also changed. In 1956, food accounted for 35 per cent of expenditure; by last year, this had dropped to 16 per cent, while motoring costs rose from 3 per cent to 13 per cent over the same period.

Wisdom of the old starts to receive commercial acclaim

By Diane Summers, Labour Staff

OLDER workers are better with customers, more reliable, and less likely to take time off sick than their younger colleagues, according to the preliminary findings of a study by the World Health Organisation.

Tesco, the supermarket chain, which employs more than 7,000 staff over the age of 55 was the focus of the WHO study. It has pioneered the employment of older workers.

Demographic changes and the fall in the numbers of school leavers has led some sectors, including retailing, to examine the active recruitment and retention of older employees. The WHO study is part of a programme of research into the prevention of what it terms "retirement disease" - the acceleration of ageing associated with lack of stimulation, motivation and purpose.

A survey of 80 workers aged between 50 and 71, as well as 10 under 25, at five Tesco stores found the older employees were more satisfied with their work and conditions than the younger workers. A quarter of the older age group said their health had improved since starting their jobs - most had been with Tesco for two years or less.

Many of the 50 managers and supervisors questioned at the same five stores said that, while the older workers might be slower than the younger employees, their greater reliability, responsibility and efficiency meant they were just as productive.

The majority commented on reliability, trustworthiness and good customer relations as the most valued attributes of older workers. Reduced absenteeism, staff turnover rates and unofficial "mentoring of youngsters" by the older workers were also mentioned.

The WHO says the findings have implications for other sectors. A number of studies have shown that older applicants face prejudice from employers - it is only when organisations are confronted with recruitment problems that they are prepared to "try" older workers. "Most, including Tesco, seemed surprised at the positive outcome," the report concludes.

Nursing, for example, faces recruitment problems and, like supermarkets, requires sympathetic and responsible staff for non-standard working hours. "There are many retired nurses who might with benefit be attracted back to the profession, provided the profession showed good understanding of the value of older workers and re-entry needs," the study concludes.

Campaign for Work, the pressure group, yesterday called for legislation to ban age discrimination in employment in a report detailing how older workers were bearing the brunt of redundancies in the recession.

More than half of workers over 50 who lose jobs remain unemployed for more than a year, the report said. For those who did find work, ti was often low skilled and low paid with no security.

● Government bureaucracy is undermining the ability of senior employers to inject their business skills into the employer-led network of Training and Enterprise Councils, according to an internal report.

The report summarises the canvassed views of all Tecs on the effects of the 1990-91 budget settlement.

One disquieting finding was that Tecs felt that benefits arising from greater flexibility were eclipsed by the "ever-increasing bureaucratic burden".

That state of affairs was seen to be in direct conflict with the secretary of state's proclaimed objective of putting the nation's training and enterprise system in the hands of private-sector leadership.

MANAGEMENT: Marketing and Advertising

Independent Insurance

'An entire organisation focused on the market'

Philip Rawstorne reports on the winner of a CIM award

Four years ago, Allstate Insurance, the US group, sold its general insurance business in the UK for £6m to a group of investors called New Scotland Insurance.

Allstate's business in the UK had never got off the ground. It had been making losses since 1982 and required regular capital injections amounting to more than £21m to maintain solvency margins. In 1986 it made a £1.6m loss on premium income of £27m.

This week, the business, renamed Independent Insurance, reported 1990 profits of £8.5m on premium income of £80.1m, its fourth successive year of increased profit amid a generally grim industry performance.

The company's transformation has been achieved – according to the Chartered Institute of Marketing when it was presented yesterday with a 1991 national marketing award* – because of its "ability to focus its entire organisation towards the marketplace".

When Michael Bright, deputy chairman and managing director of Independent, arrived from Lombard Continental in 1987 to establish a senior management team, he found confusion among staff about corporate objectives. There was no marketing department and only a limited product range; no formal staff appraisal, training or development programmes. Staff morale was low and turnover high.

Bright immediately brought in Robert McCracken, a Lombard colleague and marketing professional, to establish a marketing department. A detailed corporate plan was set out – backed with research carried out by the marketing department as well as outside agencies.

The prime objective was to establish the company within five years as a distinctive and professional organisation in the highly competitive general insurance sector: "A long-term player with a consistent approach and something special to offer," says Bright.

Two ways of gaining competitive advantage were identified. Research confirmed that the overall service provided to brokers – the intermediaries through which Independent intended to channel its business – was generally poor. So high quality service was to be an essential part of the strategy.

Cost advantages were to be achieved by improving underwriting practice to reduce the ratio of claims to policies; and by cutting administrative expenses through extensive and efficient automation.

With the company's objectives and strategy laid down, the first priority was to communicate them to its staff. Morale had to be rebuilt, motivation renewed, and the business focus switched to the market.

Initial presentations to all staff, backed up with a booklet, set out the changes being made and where the company was going. They were given detailed information on the company's structure, underwriting philosophy, marketing approach and personnel policies.

Regular briefings by management and the establishment of a staff magazine followed. Employees were invited to join in a competition to find a new name for the company. Independent Insurance was launched, with the logo of a high-flying kite.

A formal personnel policy was adopted. Recruitment procedures were tightened. The emphasis of pay policy was switched to rewards for results. A staff appraisal system was introduced, mainly to identify training requirements. A training department was set up and formal courses begun in management development, supervisory skills, communication, and customer care.

Alongside these internal efforts to give the company a new sense of purpose and direction, work also began on implementing the external marketing strategy.

Independent had inherited a panel of almost 10,000 agents. It rapidly became clear that this was a costly and inefficient set-up. Many agents produced little business and dismal levels of profitability.

"The company looked to deal only with those that were highly professional, whose business ideas were similar to our own, and who had good relations with their own clients," says Kevin Pallett, marketing manager.

Unprofitable accounts were closed immediately. Further weeding has now reduced the agency base to 3,200 – classified according to the type and quality of the business they handle, and their potential growth.

Independent sought to establish closer relationships with about 150 brokers within this total. They were identified as having the best potential for profitable development of commercial business.

"These brokers are the most professional in the way they present risks to us," says Pallett. "Fire risks are obviously great in plastics manufacturing, for instance. But the risks are much lower in a company whose management has adopted a proper safety policy. These brokers provide us with that sort of information."

Independent Club was formed to provide the brokers with a range of benefits and incentives in return. They are given a higher commission and participate in profit-sharing schemes. They are given round-the-clock access to Independent's staff; their mail and computer records are coded to identify them as priority customers. In some of Independent's regional offices, special units were established dealing exclusively with club brokers.

Independent offers free training for brokers' staff on its courses; and its marketing department supports them in direct mail campaigns, advertising, exhibitions and the production of sales brochures.

Assured of the brokers' expertise, Independent was able to launch new products exclusively through them – policies to cover high risk businesses such as jewellers and demolition contractors.

Independent claims brokers had never before been offered such a comprehensive package. Since its launch, the club partnership has been reinforced through a regular newsletter, weekend entertainments, and senior management get-togethers.

The marketing initiative has paid off. Premiums from club brokers increased from £2m in 1988 to £11.2m in 1989. Two-thirds of all new commercial business, and a quarter of all premium income, now comes from club members; and it results in relatively fewer claims. The claims ratio on club business is 37.8 per cent against a company average of 47.9 per cent.

The success of this initiative led Independent to launch another scheme, Merit, for the best of its brokers dealing with home and motor insurance. Some 500 initially joined. They were offered exclusive products – such as policies targeted on low-risk and high-risk drivers – and given greater authority to quote premiums and speed the settlement of claims.

Backed by Independent's general marketing support, these brokers found themselves better equipped to face the intense competition in their sector. Independent was repaid with a doubling of new business proposals between 1989 and 1990; and with an increase in retained business from 70 per cent to 80 per cent.

Costs also fell as more business came from the more professional brokers. In 1988, almost half of proposal forms had to be returned to brokers because of inadequate information. The proportion has now fallen to 25 per cent.

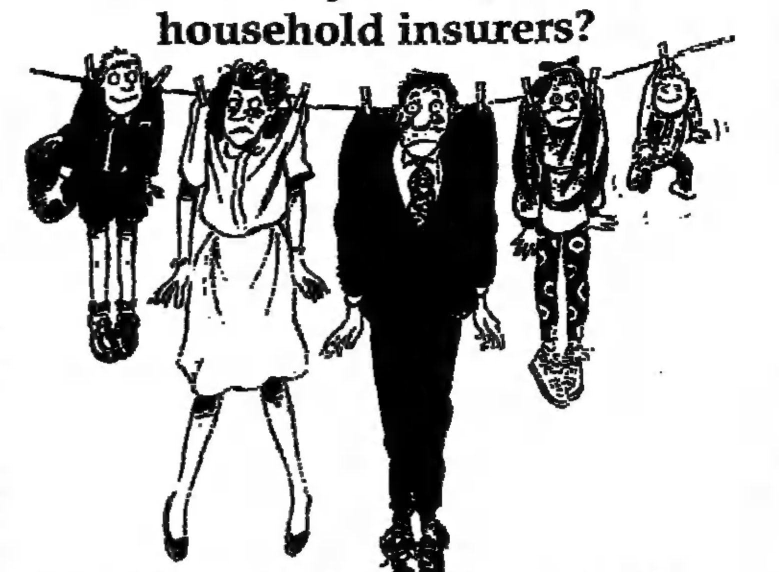
Independent has backed the marketing thrust through the brokers with a wide range of other promotional activity. It has designed simpler proposal forms, and introduced its products through wittily-illustrated brochures. Its salesforce has been increased fourfold and is supported by telemarketing.

Advertising and public relations are focused on raising the company's image within the industry. Sponsorship – of school sports and other activities in its Cheshire base – is used almost solely as an aid to recruitment.

Independent's overall approach had resulted in "an impressive study of profitable growth and customer satisfaction," Sir Patrick Meaney, president of the CIM, concluded yesterday.

**CIM national marketing awards: Category 1 (turnover over £50m) Independent Insurance Co; Category 2 (turnover £10m-£50m) Astracast; Category 3 (turnover up to £10m) Edinburgh Bicycle Co-operative.*

Are your clients being taken to the cleaners by their present household insurers?



Independent has backed its marketing through the brokers' clubs with . . . "wittily-illustrated brochures"

BA: flying on post-war euphoria

This morning some 1,000 travel agents from all over the world will fly into London on what is described, by British Airways which is organising the trip, as the "World's Biggest Educational" – travel trade jargon for encouraging agents to book clients on British holidays.

The move will hardly attract the same sort of publicity as BA achieved for its 50,000 free flights promotion which takes off on St George's Day next Tuesday.

But in BA terms it is just as important. While the free flights offer has generated an unprecedented degree of consumer awareness in a promotion – some 5m people applied for tickets worldwide – BA is anxious to ensure that it builds on its marketing coup.

"It's only the start of a sustained promotion this summer to bring back the business," says Liam Strong, BA's director of marketing and operations and no stranger to the world of razzmatazz consumer promotions.

BA's marketing response was not a knee-jerk reaction to the current intense competition and the dramatic slump in airline travel when the Gulf War broke out. The groundwork was laid a year ago when BA first felt the chill of the US and UK recessions. It reviewed its operations extensively (some 50,000 man-hours were spent on this, according to Strong) and came up with a more integrated structure (bringing marketing and operations together) as well as over 700 cost-saving proposals. "We wouldn't have been able to put together our current marketing programme without having reduced our cost base," insists Strong.

Although Strong's marketing plans were aimed at meeting transatlantic competition head-on in the face of recession, BA, like everyone else, was still caught out by the onset of the Gulf crisis last summer. "We realised that we had to do something to revive international travel when the world got back to normal," he recalls.

A planning team, consisting of nine senior executives from all parts of the airline, was set up last autumn to plan for the post-war world. The group met intensively while also doing their normal jobs: "It was exhausting but also very stimulating to brainstorm ideas," says one of the team.

Insiders remain tight-lipped about who actually came up with the grand scheme of giving away *all* the airline's seats for one day. "It was a team effort," insists Charles Gurassa, BA's head of leisure, and one of the group.

Sir Colin Marshall, BA's chief executive, was told in a car on the way to Gatwick airport: "He didn't bat an eyelid," says Strong.

The very boldness of the move was its great appeal. "I think there is a problem in large companies that too often they are afraid of being bold," suggests Strong. "One of the factors about marketing in the late 20th century is that most companies are quite sophisticated in their marketing techniques; so there is a real need to come up with something that makes you stand out from the rest of the pack."

BA brought in – in conditions of great secrecy – specialist help to implement the programme; Saatchi and Saatchi did the advertising and a couple of promotional companies were also retained.

Planning was based around an assumption that the war would last longer than it actually did; the give-away flights were due to be offered in late May or early June. The end of hostilities meant the whole programme was advanced a couple of months.

The impact of the promotion surprised even BA. "I think it came at the right psychological time for people after the gloom in the early part of the year," suggests Strong. The cost of the promotion was about £16m – including the £11m cost of flying its fleet free for two days (there and back). Strong declines to say how big a chunk out of his marketing budget this will take, but insists it has been very cost-effective: "At a highly conservative estimate, we've had more than £30m worth of media publicity worldwide."

Today's arrival of key travel agents from Europe, North America, and the Far East, however, is just the first of a series of initiatives BA is taking. These include:

- A Keys to Britain promotion overseas to encourage holidays to be taken in Britain.
- A charge card for travel and entertainments expenses which helps companies keep track of these costs launched earlier this week jointly with Diners Club.
- Special offers to popular destinations if holidays are booked before 10 am through a travel agent.
- A frequent flyer programme for regular travellers – called Latitudes – which uses BA's existing Air Miles operation to enable travellers to accumulate points for a free flight.

Strong and his colleagues have a number of other ideas for keeping interest alive during the summer months which he is keeping under wraps at present. But trade speculation suggests they are likely to include special offers this summer for the 5m people who applied for the free flights.

"Although initially there was euphoria after the war ended, we know it's going to be a tough summer for the travel business," admits Strong. "The war only brought to a head the problems caused by the recession in the US and UK and a slow-down in the Japanese market."

Moreover, after many years when BA has faced little effective competition on the lucrative North American routes, it now has to compete against American Airlines and United, two of the US's strongest carriers.

The real test will come over the next few months. But Strong is confident enough to believe at this stage that no similar initiative will be needed in the autumn of this year. But he already has teams working on marketing plans for late 1992 when the competition across the North Atlantic will be in its second year and even more intense. "We can't afford to rest on our laurels," he insists.

David Churchill

TECHNOLOGY

Barley chews the fat

Most people do not eat barley – they drink it in beer or whiskey. But David and Victor Lewis, who run an independent research and development operation for food products and processes called Byron Agricultural, of Sydney, intend to change that.

Waxy barley – so called because it has opaque waxy-looking grains – may be just what the fibre-conscious, cholesterol-cutting public wants. The barley contains high levels of beta-glucan, a soluble fibre which has been shown to help reduce cholesterol levels.

David Lewis has developed a process for making expanded products (like puffed wheat and rice) from waxy cereals. Rex Oram, a plant breeder at Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO), provided Lewis with waxy barley to try out his process. One type worked well and they named it Waxiro.

Kellogg Australia entered into a deal with CSIRO and Lewis to use the grain in its cereal products. "The key thing is that Waxiro is high in soluble fibre, as high as oat bran," says Geoff Houldsworth, Kellogg's product R&D manager. "But this is a whole grain. It is much nicer to eat a whole grain than bran."

Kellogg made a barley oat bran-flake known as Balance, although the marketing still focuses on the oat content. The flake product is relatively easy to make because the whole grain and bran bind together easily. Waxiro also has a relatively low fat content – 1 per cent compared with 9 per cent for oats, and is cheaper than oat bran.

An interesting aspect of the technology is the use of enzymes. "We've found we can get unique effects on crispness and texture of grains by using enzymes at very low moisture content," says David Lewis.

The method is a straight-line process, not a batch process, and uses similar enzymes to those which convert the starch in barley to malt. This is what makes the flakes light, he says, and allows them to be made with whole grain products.

Geoff Tansey

Eat at home or take away

Ian Holdsworth looks at whether you should buy in IT services or turn your computer department into a business

Corporate computers are being subjected to a wave of intense scrutiny as the recession underlines the importance of getting value for money. Harsh conditions have forced IT departments in both private and public sectors to renew their efforts to cut costs and to reassess their potential for making their parent organisations more profitable.

Since January, British Rail and Barclays Bank have turned their IT arms into commercial businesses offering services to external clients as well as to their own companies; while at the Post Office, the computer department has laid itself bare to outside consultants who are studying whether computer users within the group's three main businesses would be better off going to an independent computer services supplier.

Handing the day-to-day running of IT to another company in this way is known as facilities management (FM). Such deals are still the exception rather than the rule – though a recent surge in FM, from a £60m UK market in 1987 to a forecast £270m this year, according to market researchers Romtec, has increased the pressure on IT departments to prove their worth. Some IT managers see FM as a threat to their own internal empires – being asked about it by the company board may be a catalyst for internal rejuvenation.

In the public sector, FM has grown particularly fast. The local government IT managers association (SOCITM) has set up a working party to evaluate FM. The Computing Services Association, a trade body with many FM suppliers among its members, has prepared guidelines which it plans to publish this month designed to weed out cowboy operations.

Some clients feel FM gives them more control of their IT – by taking items off the balance sheet and pinning down costs with fixed-price contracts. For other groups, however, IT is seen as so central to the business that contracting it out like the canteen food is unthinkable.

If a company is reluctant to bring in an outsider for reasons of control or security, but still wants to benefit from the commercial ethos of FM, it may consider turning its own IT operation into an FM supplier.

Just over a month ago, Barclays Bank did just this. Barclays says the new unit, Barclays Computer Operations (BCO), is a "quasi" company – a profit centre that will bid for work outside the Barclays group. The unit's main objective, however, is to improve the provision of computer operations to Barclays itself.

The IT department provides computer power to the whole Barclays group with the exception of investment bank Barclays de Zoete Wedd and consumer finance di[illegible] Mercantile & Credit.

"One of the big problems I have had as a monopoly is that my [internal] clients don't perceive that they're getting value for money – they think they may be getting ripped off," says Bruce Hotter, BCO's managing director. "[illegible] you tell them: you've got to reduce your cost base but, by the way, you're locked in to the Barclays IT department, they'll just say – what do you expect me to do about it?"

Some of Hotter's internal clients have already achieved savings through tackling user inertia – making sure new technology is actually used as it becomes available. There have also been concerted drives to iron out the inefficient peaks and troughs of computer use that tend to reflect monthly financial cycles. But, despite measures like these, there was a growing feeling that clients should be allowed to contract out, and Barclays took that as its cue for putting the whole computer operation on to a more commercial footing.

BCO will try to make a profit only from its external clients. Internal users will continue to be charged on a pure cost basis, but they will face changes. In particular, pricing will become more differential so that users will be able to choose between cheaper and more expensive options.

A company with a different perspective on the merits of FM is BOC, the UK industrial gases group. In the 1960s the company decided to sell spare capacity on its mainframe by acting as a bureau service to other companies. When BOC decided to withdraw from this market in the 1970s, it sold the operation, Datasolve, to Thorn EMI, and became the spun-off company's largest customer.

However, when the contract came up for renewal in the early 1980s BOC decided the time was right to bring IT back in-house. Today, it believes that IT's place is under the fingertips of the board, though there are certain individual activities which it says it would still consider contracting out.

Paul Bosonnet, BOC's deputy chairman, believes that the company made a considerable savings by bringing IT back in-house, but he says this was secondary to the gains in competitive advantage. "In the 1980s the use of IT in our business became much more intensive. Originally it was fairly mundane – paying cr[illegible] and running the payroll. But then when we started doing on-line order entry and planning our distribution, IT became much more critical. You can probably get by without paying a supplier for a day or two – but if something goes wrong when you're working on-line with a customer then there's a feeling that you've lost business."

BOC's computer activities have become spread around the world on a number of different systems from different vendors – whereas 10 years ago it was all concentrated on the UK mainframe. "If we [illegible] Datasolve, where they [illegible] dominated our business 10 years ago, they would now have a much smaller part of the total."

The British Broadcasting Corporation is also determined to run its own IT. It considered and rejected FM two years ago but believes the process of putting IT out to tender was an invaluable exercise.

The IT department's customers are computer users in various parts of the corporation who develop applications using the raw power which the IT centre provides. They have to pay to use the IT service, but are free to go elsewhere. "We don't expect to make a profit for the BBC but we are expected to recover our costs," says Bryan Parlett, IT operations manager.

Several FM companies tended for the BBC contract and Parlett drew up a list of the most common financial benefits that they claimed to offer. He concluded that all of these savings could equally be obtained in-house.

Most of the FM companies saw potential savings in moving the BBC to more modern, powerful hardware and through cutting staff by about a third. The BBC agreed – and followed this course independently. In the last two years it has replaced its ICL 2900 mainframes with newer Series 39 machines from the same manufacturer and has reduced its computer operations staff from 64 to about 50 people.

BBC staff themselves, he concedes, might have benefited from an FM deal. Career opportunities are enhanced by moving to an organisation which runs a broad range of computer operations on many different kinds of hardware and software.

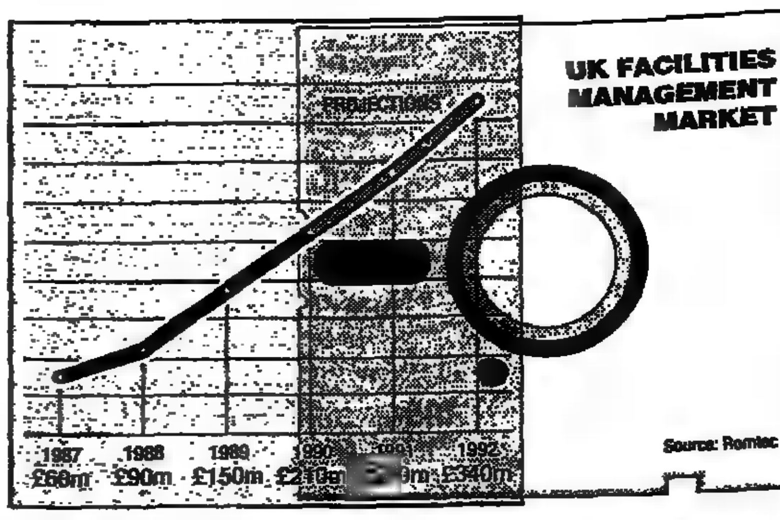
Leading FM suppliers such as Hoskyns, EDS, Sema, ITNet, and Andersen Consulting offer a variety of deals. A traditional FM contract may involve buying the computer department and its staff lock, stock and barrel, and then running it more cheaply – first on the customer's premises and later moving it alongside other clients' processing at the FM company's own data centre.

Pure FM, despite its recent growth, has a limited lifespan. Many clients in local government, for example, have sold their mainframes to FM companies as a cleverly disguised step towards winding them down completely. Their real intention is to move to smaller minicomputers which are constantly striding ahead in terms of power.

"FM is a bit of a sunset industry," according to David Andrews, head of systems management at Andersen Consulting. "We're moving beyond it. What's important now is not the operation but the systems that deliver the services surrounding business operations. The boundary between IT and the uses of IT has to be broken."

For EDS, FM is part of a wider concept for which it uses the American term "outsourcing". This umbrella covers systems development, systems integration and consultancy, as well as the traditional managing of a company's mainframe.

The budget for IT operations will only come to about 2 or 3 per cent of a company's revenue points out Ranald Bain, director of financial and insurance sales at EDS. Small cost savings within the IT department are immaterial when put next to what IT can achieve for company-wide profits.



How do you cut the costs of running your computer operations without jeopardising the long-term efficiency of your business?

As the recession continues to dog companies of every size, consultants and academics have devised their own formulae for getting the best out of IT at the least cost.

● "Cancel the purchase of any more PCs and make better use of the ones you already have," is at the top of the list compiled by Martin Healey, of Technology Concepts, in Cwmbran. "Fifty per cent of PCs are not used to capacity. Healey points out that the costs of just supporting PCs is $2,000 (£1,100) per user per year.

● Rationalise your storage media, [illegible] Wilson, sales director for [illegible]ulting. Companies with [illegible] levels of disc back-up should [illegible] whether they are really necessary.

Do not duplicate information in a number of places – on a central database and on locally-held files, for example. And if programs are out of date get rid of them.

● Check that cache memory and discs are only used to store information which employees need to use quickly. Put all archive data on less expensive tape or other long-term storage media.

● Question whether you really need that processor upgrade. "You can almost guarantee that it can be put off," says Wilson.

● Healey also recommends focusing on the business function when introducing new systems. If the task is not central to the business strategy, then delay implementing new systems.

● If a new system is needed – to exploit a new business opportunity – go for a cheap and simple system, says Wilson. "There are often desk-top solutions these days which can do the job. It's worth looking at PCs even as just a short-term solution – to see if it works out."

● Most consultants also point to outsourcing, or facilities management to introduce a mechanism for the control of spending (see main story).

● To pin costs of new systems down more accurately Healey says you should calculate the cost of the complete system, not just the cost of computers. Training, for example, can prove an expensive cost.

● Streamline the software you have. Spending some cash to convert the software to run on a compiler can cut the costs of maintaining the software quite drastically.

Della Bradshaw

Cat-scan takes on a new life

In 1971 EMI scientist Godfrey Hounsfield's brain-scanner gave neuro-surgeons their first glimpses inside a living brain without breaking the skull. Computer-assisted tomography (Cat) was the invention for which Hounsfield shared the Nobel prize for medicine in 1979.

In the 1980s Cat-scanning using X-rays was displaced in medical diagnosis by the safer method of magnetic resonance imaging which uses no radiation. But Cat-scanning continued to be developed as a non-destructive test process for peering deep inside complex assemblies, especially when they are encased in metal.

The essence of Cat-scanning is to take several X-ray images of the object from different angles, and process the information on image density by computer. In this way a 3-D simulation is created which can reveal, for example, the location of a brain tumour.

Lawrence Livermore National Laboratory in California, one of the US Department of Energy's nuclear weapon design centres, has developed novel scanners for examining specific situations.

With explosives, for example, the technique can find cracks or voids that would impair the efficiency, can verify its density and ensure that the substance had been properly mixed. One of several different Cat-scanners designed at Lawrence Livermore examines the insides of nuclear weapons.

Another collaboration is with the University of California at Davis. Experiments are under way to determine what substances a Cat-scan might reveal in soil samples. So far, tests have shown that the scan can detect cotton seed and locate voids as small as 300 microns across.

Another topical challenge is the rapid inspection of large drums of radioactive waste before their long-term disposal, to provide assurance on their radioactivity level. Much of the waste from US sources is incorrectly identified at present, because the customary means of characterisation cannot certify that they can be classed as low-level or non-radioactive.

David Fishlock

BUSINESS LAW

Light at end of Europe's software tunnel

By Brian Napier

SOME THREE years after the publication of its green paper on the legal protection of computer programs, the European Commission is within sight of realising its grand objective.

Following an intense exchange of views involving manufacturers, Community institutions, and diverse interest groups, the Council of Ministers last December unanimously adopted a common position with regard to the Commission's proposed directive setting out the principles for copyright protection for software.

The parliament has this week given second consideration to the directive embodying the council's common position.

Barring accidents the proposed directive should be ready for adoption by the summer. Changes in domestic law to comply with the new standards will have to be in place by January 1993.

The proposed directive is readily recognisable to anyone familiar with the UK's Copyright Patents and Design Act 1988, which itself provided the model for many of the individual provisions.

Computer programs are classed as literary works, and are granted copyright protection provided they pass a test of "originality" (ie, not copied).

The copyright holder (developer) is given a clutch of "exclusive rights", the most important of which is the right to reproduce, adapt and distribute to the public the work which the program constitutes.

Control ceases, however, when a copy of the program is sold, so that post-sale distribution of that copy is left to the purchaser's will - except in the case of rental to the public, where a specific exemption is made.

The piracy of computer programs will thus, under Community law, be equated with the illicit copying of books, sheet music, films or other works already regulated by copyright.

Given the value of the software market to Europe - about $40bn in 1989 and employing more than 300,000 workers - this looks like a big step.

However, all EC countries already acknowledge the intellectual property rights of software developers under their domestic law.

Thus the real advance made by the directive lies not so much in giving protection, but in the harmonisation of t[illegible] different national laws, to create the "level playing field" judged necessary for the completion of the internal market.

At the heart of the controversy over the proposed directive lies the problem of reconciling conflicting interests.

The Community needs a secure and stable legal environment in which the European software industry can continue to thrive.

In particular, clear rules are needed to specify the extent to which a program developed by one software producer can be copied, adapted or limited by another developer or user.

The Community institutions, like the member states and all other developed countries, have settled on copyright protection as the best mechanism for striking a fair and realistic balance between developers, competitors and users.

To be sure, The accepted principles of copyright law have had to be modified to take the special status of software into account.

For example, the making of back-up copies of programs (which could in principle be prohibited under the conditions on which software is marketed) is, under the proposed directive, given as an unqualified right to users where a back-up is necessary for the use of the program.

But the core principles of copyright provide the basis for the regime being put forward for approval.

One issue that has been vigorously debated in the r[illegible] to the council's common [illegible]tion was whether there should be a specific exception to copyright protection to allow a process called decompilation.

This involves taking a program to bits in order to see how it is made and works. Because decompilation means that one or more copies or translations of the program being studied have to be made, the activity could involve a breach of copyright by those who engage in it.

Therefore, it has been argued, a specific exception should be enacted in the directive to legitimate such behaviour.

Some believe that decompilation is necessary in order to achieve "inter-operability" - making different programs work together.

At the same time, however, decompilation also makes it much easier for a competitor to develop a rival program - in effect, a disguised copy.

Where decompilation is improperly used, it allows a competitor to produce a low-cost imitation by avoiding the development expense that the original creator has incurred.

After the Commission first published its proposal for a directive, some manufacturers and developers urged the addition of a broad exception allowing a decompilation without the permission of the copyright holder.

Others argued that such an exception, lacking adequate safeguards, would have posed a great risk to both large and small innovative European software houses that are a key engine of software competition in the Community.

A new program achieves market acceptance because it satisfies user need.

That stimulates competitors to try to imitate it. Because the independent writing of such imitative programs takes time, the initial innovator has the opportunity to reap a fair return on the costs and risks of the original program.

If competitors were allowed to take a short cut to developing imitative programs by decompiling original software, the opportunity for the innovators to earn a fair return on their investments would narrow.

The law would favour imitation over innovation - a formula for stagnation.

The compromise in the council's common position is to allow decompilation but to limit the purpose for which it can be undertaken.

Specifically, decompilation can be performed only for enabling independently created programs to work with each other.

The copyright owner's permission is not needed where the reproduction of the code is indispensable as a means to achieving this result, provided:

● the act is done by the person having a right to use a copy of the program;

● the information necessary to achieve inter-operability has not previously been made available; and

● the acts are confined to those parts of the original program necessary to achieve inter-operability with it.

Furthermore, the information so gained may not be used except for the purpose of achieving inter-operability; it must not be given to others (except where necessary for inter-operability); and it may not be used for the "development, production of marketing" of a program substantially similar to the original program.

The compromise represented by the council's views on the decompilation exception continues to embody a measure of risk for software producers.

Whether or not this exception [illegible] traditional copyright principles will open the door to piracy remains to be seen. Despite this, the directive should go far in providing within Europe the safeguards which are needed to sustain lengthy and expensive software development projects.

Whether the council-Commission's common position achieves a fair balance between competing interests remains a matter of opinion.

Nevertheless, no one can claim that the issues have not been properly ventilated, and the industry deserves a rest from recriminations.

Should there be a case of an abuse of a dominant trading position by the industry giants then the Commission has other weapons of Community law (Articles 85, 86) at hand.

As far as the UK is concerned, the balanced approach of the present version of the software directive appears to be in line with the approach taken to copyright protection in the 1988 act.

Thus, adoption of the directive might not require extensive legislative amendment in Britain.

The author is a professor of law at the University of London.

Concluding digest of Hilary Term cases

IN RE HARRODS (BUENOS AIRES) LTD

(FT, March 26)

BY a majority the Court of Appeal allowed an appeal against a refusal to set aside proceedings served against Intercomfinanz SA brought by a minority shareholder, Ladenimor SA.

The appeal had alleged that the company's affairs were being conducted in an manner which was unfairly prejudicial to its interests.

The company was incorporated in the UK and made returns to the Companies Registry.

However, it had its registered office in Argentina from where it conducted its business.

At first instance the judge had found that while the Argentine court was the one with which the dispute had the most real and susbstantial connection. Nevertheless the remedy under section 459 and 461 of the Companies Act 1985 was such that leave to proceed in the UK should be given.

However, the Court of Appeal stated it was not established that the remedy available in Argentina was significantly of less value than the UK remedy.

A stay should be granted because of the very close ties between the case and Argentina and the huge advantage of holding the trial there.

OFFICE ANGELS LTD V RAINER-THOMAS AND ANOTHER

(FT, March 27)

THE plaintiff employment agency stipulated in its contracts with its own employees, *inter alia*, that the employee would not, within six months after termination of employment, "engage in... the business of an employment agency" in Greater London within a one-kilometre radius of the branch where she had been employed (clause 4.5(b)).

In allowing an appeal against a decision that the restrictive covenant was valid with regard to clause 4.5(b) by the defendants, who were former employees of the plaintiff and who had set up their own business, the Court of Appeal stated that while a covenant containing a territorial restriction in a suitably drafted form might well have been justifiable as a means of protecting the company's connection with its pool of temporary workers, a covenant containing territorial restriction was not necessary or appropriate for protection of its trade connection with clients.

Furthermore, the clause placed a disproportionately severe restriction on the defendants' right to compete with the plaintiff after leaving its employment.

It also went beyond that which was reasonable in the parties' interests.

ARTS

CINEMA

Frontal attack on Hamlet

HAMLET
Franco Zeffirelli

FREEDOM IS PARADISE
Sergei Bodrov

RIFF-RAFF
Ken Loach

WAR PARTY
Franc Roddam

"Who's there?" "Nay, answer me: [redacted] and unfold yourself." "Long live the King." [redacted] Gib-[redacted]" "He." "You come most carefully upon your hour..."

Career mo[redacted] need perfect timing. Hamlet *himself*, a postponement-prone prince, learned this too late: it was his greatest tragedy and it ga[redacted] birth to William [redacted]hakespeare's greatest tragedy. For his film version Franco [redacted] made [redacted] casting decision so insane [redacted] it partakes of genius. Australian action-man Mel Gibson plays Hamlet: From the [redacted] brought you *Mad Max* and [redacted] comes the [redacted] of [redacted] mad Dane caught between [redacted] and rumination. [redacted] the film's trailer intones it, "A man must [redacted] to love or hate, to live or die, to be or not to be..."

But *Hamlet* [redacted] movie [redacted] so much better than one feared, including Mr Gibson, that I am thinking of belatedly joining the Zeffirelli fan club. The audience's [redacted] giggle, at a long-shot of Dover [redacted] (playing Elsinore) in [redacted] tiny [redacted] are visible trundling down to the docks, may well be their last. Cultivating a russet beard and rugged English accent, Gibson suggests [redacted] pent-up [redacted] achiever [redacted]rounded *by corrupt and was*sailing elders.

The prankish volatility that stamped the his *Lethal Weapon* hero serves the star now for Hamlet's verbal fencing with *Rosencrantz and Guildenstern*. Shafts of vindictive wit and wildness light up [redacted] with [redacted] (Paul [redacted] and Gertrude (Glenn Close). And in the duel [redacted] Zeffirelli has him playing the fool until the venom strikes. Indeed the only places where [redacted] stumbles are [redacted] soliloquies. With [redacted] sparring partner [redacted] *spark him*, [redacted] suddenly unmanned. The speeches are delivered in an anxious sing-song, with a decreasing sense of inner meaning or feeling.

But even this proves non-fatal. Zeffirelli has cut the text to the bone and then reviewed it to see if he can cut to the marrow. Half Shakespeare's words are thrown away, and those that remain are delivered with whirlwind directness. (Only Scofield's burnished-toned [redacted] verse). But this style of [redacted] Glenn [redacted] furi-[redacted], her face a Mediaeval [redacted] life. It [redacted] Carter's brusque, rebellious Ophelia, [redacted] it galvanises players [redacted] Alan [redacted] (Claudius) and [redacted] (Polonius), [redacted] if they [redacted] more time but rather improve [redacted] it.

Bardophiles will [redacted] at [redacted] roughshod [redacted] they [redacted] English Literature's greatest [redacted]. [redacted] Zeffirelli-phobes will point [redacted] the absence of any challenging modern slants or insights. This [redacted] simply [redacted] Swan [redacted] up, [redacted] piping-hot and garnished with lovely [redacted] tumes [redacted] But the film [redacted] on [redacted] self-appointed, simple [redacted] an eye-opening precedent. (What [redacted] Schwarzenegger's Coriolanus?)

Sergei Bodrov's [redacted] popular [redacted] of [redacted] Soviet Union's still crowded gulag. The [redacted] man [redacted] boy, [redacted] (Volodya Kozyrev), incarcer-[redacted] in [redacted] reform [redacted] mal that [redacted] obligatory [redacted] rote, enervated weariness. Sasha *tries to escape at every possi-*[redacted] opportunity, his intended paradise is not simply freedom, but reunion with [redacted] hardly know[redacted] learning [redacted] one [redacted] the gulag's prisons, [redacted] born Sasha [redacted] off on a harrowing [redacted] Union, using wit, luck and the occasional kindness of strangers to track his father down.

Bodrov [redacted] passage through [redacted] a [redacted] pervasive [redacted] of [redacted] from [redacted] kindly soldier, an apple from a peasant, a hungry kiss from a little rich girl – shine forth like bountiful windfalls. Sasha's tormentors are so sluggish in their abuse, so distracted by their sorry lives, that the frail, tenacious boy is able to slip through their grasps time and again. It is a desolate portrayal of *contemporary Russia*.

Bodrov takes his time in rendering this portrait, employing a touch that is at times painfully slow. The cumulative effect is a strong one, however, enabling the exquisite melancholy of the film's final moments, when Sasha meets his father (Alexander Bureyev), a hollow, broken man rotting in solitary confinement. At first hesitant, father finally warms to son, advising Sasha to disown him to avoid trouble. Sasha's response is simple – "Who would give up a father?" It is an answer as heartbreakingly honest as the film itself.

[redacted] Gibson's Hamlet [redacted] an eye-opening precedent

A less convincing rite of passage stands at the centre of Ken Loach's *Riff-Raff*. Stevie (Robert Carlyle), a proud, sensitive, unemployed Glaswegian, follows Norman Tebbit's advice by getting on his bike and travelling to London, where he finds work on a construction site. The bosses are venal but his co-workers, especially the Liverpudlian trio of Larry, Mo and Shem, have hearts of gold. Stevie also meets Susan (Emer McCourt), a *fragile*, would-be singer who moves into Stevie's squat. They have a sometimes sweet, sometimes stormy relationship that inexplicably ends when Stevie travels to Glasgow to attend his mother's funeral, leaving a confused and lonely Susan to seek solace in smack. Things at the building site also go awry, with long neglected safety standards eventually reaping the inevitable harvest of death.

Despite some fine comic moments, *Riff-Raff* is never very convincing. Loach and writer Bill Jesse career between genial, well-observed comedy and hackneyed social tragedy so often and so joltingly that the overall effect is confused. The scenes on the building site provide a genuinely [redacted] and occasionally [redacted] portrait [redacted] group [redacted] men trying [redacted] tough [redacted] The [redacted] well enough alone, however, investing [redacted] story [redacted] dentious social significance and suspect [redacted] every [redacted] true voice. Given this pervasive overreaching, it comes as little surprise that the film's finale, with its predictable accident and obligatory conflagration, is [redacted] much [redacted] believe.

[redacted] credibility of [redacted] *Party* suffers [redacted] early [redacted] when [redacted] are [redacted] elders [redacted] racially eruptive Montana town would choose to celebrate [redacted] holiday by staging a [redacted] Indians [redacted] US Cavalry, [redacted] portrayed by proud young men from the local reservation while bigoted rednecks play the cavalry. Not surprisingly, the pageant ends [redacted] bloodshed, with [redacted] Indians [redacted] to [redacted] he unsportingly [redacted] real bullets [redacted] them. Anyone who swallows [redacted] plotting surely [redacted] on the [redacted] several [redacted] later when [redacted] young Indian's leader, Sonny Crowkiller (Billy Wirth), [redacted] down [redacted] pursu-[redacted] airplane [redacted] an [redacted]. This preposterous film, [redacted] promises [redacted] a s[redacted] of [redacted] celluloid treatments of Native Americans following [redacted] of intentions, yet [redacted] direction by [redacted] usually steady Franc [redacted], [redacted] script [redacted] generally [redacted] acting [redacted] makers only [redacted] replace [redacted] stereotypes with [redacted] benighted [redacted], while [redacted] the untainted, civilised heroes. It may [redacted] less racially [redacted] your [redacted] Western, [redacted] it's certainly [redacted]

Stephen Amidon

Nigel Andrews

King Henry IV Pt I

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

The [redacted] from Stratford is decidedly mixed. Robert Step-[redacted] charming intellectual [redacted] of Falstaff in the [redacted] production of *King Henry IV* [redacted] *I*, but rather at the *expense of the rest of the play*.

The secret of Stephens's approach to the part [redacted] that althou[illegible] his Falstaff [redacted] fat [redacted] te[illegible] dictat[illegible], he [redacted] not [redacted] He drinks [redacted] of sack, bu[illegible] does not [illegible]pear [redacted] get drun[illegible] He [redacted] control [redacted] his facult[illegible] throughout. Although [redacted] seldom [redacted] sleep in his [redacted] or indeed any, bed, [redacted] takes a bath, he [redacted] remarkably well-groomed. The hair and the beard may be a bit long, but they are not dirty. All told, [redacted] Falstaff [redacted] be [redacted] home as rather a [redacted] QC *enjoying himself at the* [redacted] Bailey. Stephens [redacted] only plays the character well, but [redacted] dimension of [redacted] taking himself off: for example, [redacted] speaks with a slight *lisp and introduces an element* [redacted] camp.

Such an interpretation [redacted] entirely in line with [redacted] is, after all, the cleverest and wisest man in the play with [redacted] possible exception [redacted] Prince Hal. [redacted] Falstaff [redacted] about honour [redacted] far [redacted] intelligent than the rantings [redacted] ramblings [redacted] a [redacted] dower or a Hotspur. Beside him [redacted] English nobility are simply uneducated, or in [redacted] production almost anonymous.

On Michael Maloney's Hal, [redacted] Prince of Wales, we shall [redacted] suspend judgement until we [redacted] develops in *Part II*. As an actor, he is physically very small – [redacted] of [redacted] father, [redacted] king, [redacted] quarter the [redacted] *of* [redacted] That could [redacted] an inspired piece [redacted] casting, allowing him [redacted] grow in stature as he moves towards the crown. For the present, he plainly sees that there [redacted] more to Falstaff than obesity: he loves him as [redacted] *benevolent, if eccentric uncle*, but also [redacted] someone who has something to teach.

Judgement will have to be suspended, too, on Adrian Noble's direction until [redacted] where it leads. So far, it [redacted] uneven. Julian Glover's Henry IV is a very christian king who [redacted] to dislike [redacted] in general. This may [redacted] a modern touch, which would help to explain why [redacted] scenes are [redacted] ponderously awful. Clearly it must be a deliberate decision [redacted] obviously without excitement. *Sometimes it* [redacted] *hard to tell* which character [redacted] which. [redacted]sibly [redacted] meant to illustrate the fog [redacted]

Anway, Glover speaks his opening lines well and is undeniably [redacted] behaviour of [redacted] It [redacted] be that Hal is just as troubled by the behaviour of his father: hence [redacted] affection for [redacted] After-[redacted] king [redacted] much of [redacted] showing, which [redacted] not his fault.

I have high hopes of Rob Edwards's bisexual Poins. It [redacted] always seemed one of the most intriguing minor parts in Shakespeare, and it is [redacted] pity [redacted] allowed more of a role. Sylvestra le Touzel [redacted] pretty [redacted] Kate, [redacted] Hotspur, and [redacted] fun [redacted] see Glendower (Bernard Kay) played [redacted] a thoroughly unhumorous [redacted] bore. [redacted] the production [redacted] a [redacted] desired.

Malcolm Rutherford

Matador

QUEEN'S THEATRE

The mortal combat [redacted] man [redacted] bull [redacted] seedy [redacted] draws [redacted] indignation from animal liberationists, a *straggling, overwhelmingly* female, [redacted] whom lined [redacted] pa[redacted] Queen's Theatre. This detail [redacted] on Peter Jukes, the young English writer brought in [redacted] furnish a book for Michael Leander and Edward Seago's musical of the *corrida*. Jukes lingers conscientiously on the objections of the two principal women in the bullfighter's life: his homely Andalucian sister (Caroline O'Connor) [redacted] his glamorous [redacted] top-billed Stephanie Powers) who together [redacted] the doubts of the [redacted] majority.

But the [redacted] remains – a rank, male quality [redacted]bly linked to [redacted]he will [redacted] something of hum-drum lives. Domingo, [redacted] based [redacted] the legendary bull-fighter El Cordobes, is [redacted] boy from [redacted] on a hiding to nothing until he [redacted] the opportunistic [redacted] fixer called El Panama, [redacted] *point* he [redacted] The boy from [redacted]

[redacted] storyline – of a fighter's pride and fall – is entirely predictable, and played out in [redacted] the characters are permitted to remark, people [redacted] a [redacted] story but they love a tragedy even more. Though the Span-[redacted] in memories, and Franco himself [redacted] appearance, it is [redacted] politically and thematically unsophisticated piece, distinguished by a really rather sophisticated [redacted] to stylise [redacted] subject through an equation [redacted] bull-fighting with flamenco.

The bull is a stunningly ani-[redacted] conglomerate [redacted] six dancers, black and glittering, [redacted] menace comes not from any thunderous momentum but from [redacted] the charge, when time [redacted] suspended [redacted] *stamping hooves* [redacted] lowered horns. [redacted] Arevalo brings [redacted] ineffable style of [redacted] real flamenco [redacted] bear on [redacted] head [redacted] the beast, somewhat [redacted] owing its nether regions and underlining the old saw that true [redacted] are born [redacted] not [redacted]. Elsewhere, the rhythmic [redacted] and formal [redacted] *of the* [redacted] is [redacted]erly gestured at in Elijah Moshinsky's refreshingly people-centred production, which is designed with an exquisite restraint by William Dudley.

It has its share of long, lean limbs – two [redacted] the longest and [redacted] which belong [redacted] John Barrowman's Domingo. Although he looks [redacted] inch the part, [redacted] synthetic song-and-dance texture that emerges from the fragmentation of the scenes and from lyrics (Seago) which tend to hamstring Leander's score with [redacted] banal sentimentality. Nicky Henson's tubby impresario El Panama [redacted] – and makes – the [redacted] them with with [redacted] roguish "I'll [redacted] you out [redacted] dinner," while the key numbers, "No Way [redacted] this Town" and "Children [redacted] the Sun", accumulate a certain [redacted] impe-[redacted] through repetition.

[redacted] if [redacted] *underline that* [redacted] a man's [redacted] women [redacted] rather badly [redacted] it. Domingo's childhood [redacted] (Jackie Dunn) [redacted]torily [redacted] and dispatched, while Stephanie [redacted] seems under-employed [redacted] American [redacted]

Claire Armitstead

Tippett's Byzantium

CARNEGIE HALL, NEW YORK

Sir Georg [redacted] his [redacted] seasons [redacted] conductor [redacted] Chicago Symphony with a concert *Otello* (Pavarotti singing the title role for the first time) and with the premiere of Michael Tippett's *Byzantium*, commissioned jointly by *Carnegie Hall* and the Chicago orchestra to mark their centenaries. After Chicago performances, both bills [redacted] to New [redacted] (where both will [redacted] for [redacted] performances each. *Byzantium* had [redacted] Carnegie premiere on Monday.

Yeats's poem, five stanzas of chiselled, charged imagery, is generally read as a parable of artistic creation; in a preface to the score, Tippett writes of "artefacts enshrining values [redacted] can [redacted] against [redacted] impermanence [redacted] the everyday world and the complexities [redacted] the human beating heart." Other [redacted] in [redacted] lights [redacted] in [redacted] them, Nietzsche [redacted] uncomfortably close. Familiar [redacted] reappear: the Em[redacted] the Tower; the bird from [redacted]*ing to Byzantium*, "of hammered gold and gold enamelling," singing now a more terrible song: the purging fire, "flames begotten of flame"; finally "that dolphin-torn, that gong-tormented sea".

Tippett's pie[redacted], which lasted 27 minutes, is not so much [redacted] "setting" [redacted] the [redacted] as [redacted] tone-poem, for soprano and large orchestra, [redacted] upon it. The score follows the five-stanza structure, dividing them with *instrumental* [redacted] Words, lines, [redacted] syllables are freely repeated; the bird "planted on the star-lit golden bough," which "can like the cocks of Hades crow," breaks into a page of unaccompanied "cocorico!" Tippett writes of the "challenge in *setting* the verbal imagery to music" but also finds licence in Yeats's lines "Those images that yet/ Fresh images beget" to let his own musical imagination fly free and create abundantly.

As in the poem, familiar images reappear: deep, complicated, pregnant chords recurring as punctuation; little tonal fanfares bright against alien harmony; episodes of linear scurry and flurry; near-reckless cantilena. I'd like to say that they are used with a precision, economy, and discipline to match the poet's. After one performance, I feel unsure. The piece sounded different from what the printed score had led me to expect: more constantly loud, insistent, and busy, without the episodes of gentleness suggested by pages of two-part invention, or merriment in episodes marked "light, dancing". Well, the performance may have had much to do with that. Sir Georg was an eager, insistent conductor – unrelaxed, never playful – and the Chi-[redacted] Symphony is [redacted] tense, high-powered precision instrument.

The [redacted] writing calls for a Flagstad – a soprano who combines amplitude and maj-[redacted] with the bright [redacted] Flagstad brought to Grieg's *Haugtussa* cycle. It was composed for Jessye Norman's voice and lies mostly on the staff, with A-flat or A as the high-climax notes, just two passing B-flats, and eloquent recourse to the lower register *that is Miss Norman's special* glory. But ("for personal reasons", the announcement said) Miss Norman withdrew, and Faye Robinson – who is billed for the Prom premiere of *Byzantium*, in September – took over. She is a conscientious and attentive interpreter, and a "creator" in *The Mask of Time*. She is not yet 50. But her soprano is an imperfect instrument – not full, ample and shining in its flow, but weak in the lower reaches, and under stress pushed, unsolid and impure. And in Carnegie *scarcely a word that she sang* could be caught.

So this can be only a guarded, not a "rave", review. But that Tippett's invention is still afire, that the poem has stirred him to create "images of abounding, generous, beauty", is not in doubt. And that, of course, is enough, and more than enough. Later per*formances*, [redacted] and various, less unrelentingly emphatic, will [redacted] *Byzantium* is, as I think it may be, [redacted] than confirmation and [redacted] poser's unfailing creativity: a [redacted] masterpiece that, [redacted] and [redacted] masterpieces, breaks new ground.

Andrew Porter

Falstaff

THEATRE ROYAL, GLASGOW

Falstaff is one of the supreme comedies about the relations between men and women – about the capacity for self-delusion of the former (at almost all ages) and the clear-eyed wisdom and grace of the latter. *Ian Judge's dreadful new Verdi* production for Scottish Opera (shared with Bremen, where it was first shown) is about costume and setting, and the schoolboyish japes that can be had with ringing the changes on both.

Mr Judge is a producer who always puts on an ingenious, fast-moving show; sometimes, though, his Bright Ideas for updating are insufficiently followed through (remember the ENO *Cav-Pag* set in the Lawrentian coalfields?), and then the feats of ingenuity become *strained and tiresome* in the extreme. This super-English 1920s *Falstaff*, designed by Mark Thompson, is set in a Thames Valley hotel, and dressed in tweeds, tartans, plus-fours and other Mapp-and-Lucia finery (gosh how we roared at Falstaff's yellow top hat and cape!), with the odd ruff and full-petticoated Elizabethan gown thrown in to provide an element of fashionable time-travelling.

[redacted] scurry about with hotel linen, waiters with glasses of sherry; Robin the page is a fat, bespectacled Bunter. [redacted] weakness [redacted] all this, and much much else, is not intrinsic (after all, David Pountney's semi-updated ENO *Falstaff* is tough, peculiar, and full [redacted] interest). [redacted] to be [redacted] problem [redacted] producer's ambitions confined themselves to having jolly larks [redacted] equivalent-finding. [redacted] is that almost all of opera – its [redacted] of *conspiracy*, its *blissful* moments [redacted] concord, its brief outpourings of pain and [redacted] violence – plays [redacted] particularly disheartening brand of whoops-a-daisy [redacted]

The staging trades shamelessly on our recollections of a certain kind of English television comedy. There is no threat of real sexuality in Gordon Sandison's Falstaff, a white-haired old party clearly more interested in his grub than anything else – he goes to the midnight revels with Thermos and tuckbox in hand. *The Ford monologue, perhaps* the nearest the opera comes to tragedy, is enacted in terms of slapstick, of bumping into tables and knocking over chairs (and vocally Steven Page is ill-cast, tight-throated and dry-toned). The final scene is a sort of decorous fancy-dress party on the patio, and at the end of the fugue everyone dons a red nose: so much for Verdi's pessimistic wit and wisdom.

The superficiality of the pro-[redacted] breathtaking, [redacted] whelming: as [redacted] immature *response to an adult comedy* I'm [redacted] pressed to [redacted] equal. [redacted] that on Tuesday John Mauceri's conducting lumbered along [redacted] much of the way. Mr Mauceri can be a vital, stylish Verdian; here he seems to be aiming more at conducting a semi-animated *Falstaff* lecture than a theatrical event. His tempos are moderate (fine), his rhythms lifeless; the [redacted] to [redacted] the phrases with *allargando* [redacted] (also fine in princip[redacted] no [redacted] to the in s[redacted] cases [redacted] vocal capaci[redacted] of the singers on stage – and, since on [redacted] so [redacted] untidy ensemble was in [redacted], the overall effect was of undersinging and uneasy plod.

There are good elements in the cast, here wasted. One [redacted] be particularly [redacted] to encounter Sarah Walker (Quickly), Fiona Kimm (Meg), Anthony Mee (Dr Caius), and David Gwynne (Bardolph) in *another small-house Falstaff*; Maria Prosperi, [redacted] young Italian Alice with [redacted] plump, smiling [redacted] and a [redacted] lustre and sparkle, [redacted] a real find. [redacted] young lovers, Susannah [redacted] and John [redacted] Ainsley (who [redacted] that a really good [redacted] tenor will always [redacted] well by Fenton's music), are "English" in [redacted] best [redacted] – they [redacted], indeed, the show's [redacted]ing grace.

Mr Sandison, an able character baritone, [redacted] on this showing right [redacted] his league in Verdi. But one says "[redacted] when one of the great roles of [redacted] been presented in such a trivialised reduction, who can tell for sure?

Max Loppert

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw [redacted] **Zaal** 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in Haydn's Symphony No 44 and Mahler's [redacted] *Lied von* [redacted] *Erde*, with Jard van [redacted] and Siegfried Jerusalem, [redacted] tomorrow. [redacted] Chailly conducts Schumann's Second Symphony (6718 345)

Concertgebouw Kleine Zaal 20.15 Orlando Quartet plays string quartets by Haydn, Janáček and Dvořák, [redacted] Sat (6718 345)

Beurs van Berlage 20.15 Netherlands Cham[redacted] Orchestra plays music by Van [redacted] C.P.E. Bach and Suk, also tomorrow. [redacted] an evening [redacted] music by [redacted] composer Klaus Huber (6270 466)

Muziektheater *20.15 Nederlands* Dans Theater in [redacted] ballets by Jiri Kylian and [redacted] work by Ohad Naharin, [redacted] tomorrow and Sun. [redacted] Fiedermaus (6255 455)

■ BERLIN

Staatsoper unter den Linden [redacted].00 Die lustigen Weiber von Windsor. Tomorrow: Swan Lake. Sat: Meistersinger with [redacted] *including* [redacted] Konig, Manfred Schenk, [redacted] Schreier and Eva-Maria Bundschuh (2004 [redacted]

Komische Oper 20.00 Jochen [redacted] sings title role in Harry Kupfer's production [redacted] Tomorrow: [redacted] tutte. Sat: Der Freischütz. Sun: Entführung (2292 [redacted]

Deutsche Oper [redacted] Spiros Argiris [redacted] *performance* [redacted] I Puritani with [redacted] led by Lucia [redacted] and [redacted] Cappuccilli. Tomorrow [redacted] Sun: Béjart's Ring um [redacted] Ring. [redacted] Tristan und [redacted] with [redacted] Gwyneth [redacted] (3410 [redacted]

Schauspielhaus [redacted] music by Poznan Boys Choir [redacted]

Philharmonie Kammermusiksaal 20.00 Hagen Quartet [redacted] string quartets by Haydn, Verdi and Bartók. Tomorrow: [redacted] Beethoven violin [redacted] by Frank Peter Zimmermmann and [redacted] Buchbinder. [redacted] Murray Perahia *plays* [redacted] *Berlin* Philharmonic [redacted] (2614 383)

■ FRANKFURT

Alte Oper [redacted] Sergiu [redacted] conducts Munich Philharmonic [redacted] in Beethoven's Fifth Symphony and Brahms' Fourth. [redacted] recital [redacted] Barbara Hendricks (1340 400)

Jahrhunderthalle Hoechst [redacted] Jean-Claude [redacted] Orchestre National [redacted] Lille in music by Berlioz, [redacted] Ravel. Tomorrow: Muhai Tang *conducts Prague Symphony* Orchestra (3601 240)

■ LONDON

DANCE

Covent Garden *19.30 Royal* [redacted] triple bill: [redacted] Agon, Ashton's A [redacted] in [redacted] Country [redacted] Requiem. [redacted]

MUSIC

[redacted] Jerzy Maksymiuk [redacted] Giovanni, [redacted] Coleman-Wright in [redacted] role, [redacted] Eaglen as [redacted] and Margaret Marshall as Donna Elvira. Tomorrow: [redacted] performance this [redacted] Peter [redacted] 3161)

[redacted] **Hall** [redacted] Christoph [redacted] Dohnanyi [redacted] London *Philharmonic* [redacted] *Honegger's* Third and [redacted] Ninth symphonies. Tomorrow: [redacted] Bournemouth Symphony [redacted] Sun: Edward [redacted] Prokofiev [redacted] 8800)

[redacted] **Elizabeth Hall** [redacted] Rodney Friend, Yonty [redacted] and Tim Hugh play piano [redacted] by Shostakovich, [redacted] Tchaikovsky. Tomorrow: London [redacted] plays American program[redacted], including Barber's Adagio and Violin [redacted] and Copland's Appalachian Spring. [redacted] Hilliard Ensemble [redacted] a [redacted] Italian vocal music [redacted]

THEATRE

This [redacted] include [redacted], *new musical* [redacted] the [redacted] of El Nino [redacted] become Spain's *greatest matador, starring* Stephanie [redacted] (Queens), Bill [redacted] Shakespeare Company production [redacted] About Nothing (Barbican), a [redacted] Ian McKellen's award-winning performance in Richard III (National) [redacted] Children, a musical play [redacted] the plight [redacted] children [redacted] 1917 [redacted] revolution, performed by [redacted] (Sadler's Wells). Phone Theatreline: Plays 0836 430959 Musicals 0836 [redacted] 0836 430961 Thrillers 0836 430962

■ NEW YORK

MUSIC

[redacted] **Fisher Hall** [redacted] Giuseppe Sinopoli conducts [redacted] Philharmonic [redacted] in [redacted] Ninth Symphony, [redacted] 14.00, Sat [redacted] Tues. Sun at [redacted] Rostropovich [redacted] Symphony [redacted] in [redacted] programme. [redacted] Galway plays [redacted] I [redacted] Veneti (874 [redacted]

Alice Tully Hall 20.00 [redacted] accompanied by Geoffrey [redacted] sings [redacted] *Kronos* [redacted] *Sun:* [redacted] Uchida plays Mozart (874 [redacted]

Carnegie Hall [redacted] Georg [redacted] conducts Chicago Symphony Orchestra in music by Tippett [redacted] Beethoven. Tomorrow: [redacted] conducts Verdi's [redacted] with [redacted] in [redacted] role [redacted] 7800)

Metropolitan Opera 20.00 [redacted] performance this [redacted] I Puritani, with [redacted] by Edita [redacted] and [redacted]. Tomorrow: Levine [redacted] Luisa [redacted] (362 6000)

THEATRE

This [redacted] shows include [redacted] *in Yonkers*, Neil Simon's heart-tugging, tear-jerking [redacted] in 1942 (Richard Rodgers). Forbidden Broadway 1991, [redacted] by [redacted] (Theater East). [redacted] ever-popular musical fable (Sullivan Street) and Once [redacted] Island, musical [redacted] in the [redacted] peasant girl's passion [redacted] a wealthy [redacted] (Booth). [redacted] answers inquiries and [redacted]

■ PARIS

[redacted] **Champs-Elysées** [redacted] Bernhard [redacted] in music by [redacted] Stravinsky, with [redacted] Tomorrow: Haitink [redacted] Staatskapelle. Sun: [redacted] by [redacted]

TMP-Châtelet 19.00 Cello [redacted] by [redacted] Brunello, winner [redacted] Tchaikovsky competition. Tomorrow: Simon [redacted] City [redacted] Birmingham Symphony [redacted] *Sun: Julliard* [redacted]

[redacted] **Comique** 19.30 [redacted] Urgele, 18th century musical entertainment featuring [redacted] Fri, [redacted] Sun and [redacted] Tues [redacted] 8883)

[redacted] **Pleyel** 20.30 Semyon Bychkov [redacted] Paris in [redacted] *1920*, including Poulenc's [redacted] Biches [redacted] Milhaud's *Le boeuf sur le* [redacted] (4563 0796)

Théâtre de la Ville 20.30 La La La Human Steps, [redacted] ballet by [redacted] choreographer Edouard Lock. [redacted] tomorrow and Sat (4274 2277)

■ ROTTERDAM

De Doelen [redacted] Heinz Wallberg conducts Rotterdam Philharmonic [redacted] in [redacted] Third Symphony, with Leif [redacted] soloist in Grieg's Piano Concerto. Tomorrow: [redacted] conducts Tchaikovsky [redacted] Borodin (413 2490)

■ VIENNA

Staatsoper [redacted] Pinchas Steinberg conducts Cav and Pag with Vladimir Atlantov as Canio. Tomorrow: Der Rosenkavalier with Karan Armstrong [redacted] the Marschallin. [redacted] new production of Schreker's Der ferne Klang. Sun: Eva [redacted] sings [redacted] (51444 2960)

Musikverein 19.30 Grigori [redacted] plays Brahms' Third Piano [redacted] and Chopin's 12 Etudes op 25. Tomorrow: Ulf *Schirmer* [redacted] *Austrian* Radio Symphony Orchestra in music by Dvorak and Janacek. [redacted] and Sun [redacted] Tonkunstler Orchestra. Sun [redacted] 19.30: piano recital by Stefan Vladar (505 8190)

Konzerthaus Grosser Saal 19.30 Georges Prêtre conducts Dvorak's Stabat [redacted]. Sat: *Ensemble 9 plays music* by Takemitsu, Morimoto [redacted] Bartok (7124 6860)

Konzerthaus Mozart-Saal 19.30 Bratislava Chamber Orchestra plays music by Mozart, Salieri, Haydn and Beethoven (7124 6860)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 [redacted] Rostropovich conducts National Symphony Orchestra in all-Prokofiev programme, [redacted] tomorrow, [redacted] and [redacted] (467 4600)

European Cable and Satellite Business TV

(all times CET)

[redacted] TO [redacted]

Eurosport

0600-0630 [redacted] ness report

CNN

0500-0530 Moneyline

0800-0830 Moneyline

[redacted] CNN [redacted]

1330-1400 [redacted] Day

2000-2030 World [redacted] Today – a joint FT/CNN pro-[redacted] with a [redacted] of [redacted] day's major [redacted]

[redacted] World [redacted] Today

0100-0130 Moneyline

Superchannel

0700-0830 Financial Times [redacted] Report

[redacted] five minute [redacted] briefing [redacted] times [redacted] 0700 [redacted] 0800 [redacted] & 2320 (Wed only) and 0830 (Thurs only) Financial Times Business Weekly

SATURDAY

CNN

0600-0630 Moneyline

[redacted] World [redacted] Today – a joint FT/CNN pro-[redacted]

1540-1610 [redacted]oneyweek

[redacted] World [redacted] This [redacted]

2110-2140 Your Money

SUNDAY

Superchannel

1800-1830 FT Business Weekly

CNN

[redacted] Moneyweek

1540-1610 Your Money

[redacted] Moneyweek

[redacted] Inside Business

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A risk worth taking

THE decision by the US, Britain and France to send troops to northern Iraq to ensure the safety of hundreds of thousands of Kurds has been taken to prevent a human disaster of horrifying proportions. These people, who have been stranded on the Iraqi border in appalling conditions, have preferred to risk starvation and death in the icy mountains rather than face the wrath of President Saddam Hussein's forces by returning home. The only way to save them is to persuade them to come down from the mountains and that they will only do if their security is guaranteed.

Mr John Major, the prime minister, must be given the credit for mobilising not only his European partners, but ultimately a clearly reluctant US president, in support of at least the main elements of his safe havens plan. However, Mr George Bush's initial reservations about the original British proposals were entirely understandable. The suggestion that the fleeing Kurds should return to their home towns and villages under the military protection of allied forces or the UN over a very substantial area of Iraq, could be seen as the first step towards the creation of an autonomous Kurdish region. Worst of all, it risked directly involving the US and Britain in Iraq's internal affairs for years to come and thus provoking the hostility of most of the Arab world, including the coalition partners in the Gulf conflict.

Military involvement

Though the plan that was finally adopted is still full of hazards, the risk of permanent military and political involvement by the US, Britain and France in the domestic affairs of Iraq has been reduced. The forces which will be sent to safeguard some five to six refugee camps in northern Iraq will be relatively limited. The US is sending 5,000 to 10,000 troops and Britain no more than 1,800. Both Mr Bush and Mr Major have stressed the intended temporary nature of the operation – perhaps two to three months – and their desire to hand over responsibility for ensuring the safety of the Kurds to the UN as soon as possible. They have once again emphasised that it was not US or British policy to break up Iraq into separate states or to get involved in internal political quarrels, but only to deal with an urgent humanitarian need.

It is right that these good intentions should be underlined publicly. But it is equally necessary squarely to face the dangers inherent in the joint military action. Though Washington and London sound confident that the Iraqis, while denouncing the allies for intervening in their internal affairs, will in practice do nothing to hamper it, that cannot be taken as a foregone conclusion. Even an isolated shooting incident, either between Iraqi and allied troops, or between Iraqi and Kurdish rebel forces, runs the risk of reigniting a conflict which most people thought had come to an end with Baghdad's acceptance of the coalition's tough ceasefire terms.

Legal authority

Neither is it possible to ignore the fact that the decision to send troops to northern Iraq has been taken by the three governments in question without the specific sanction of the UN, which provided the anti-Iraq coalition with its much-vaunted stamp of legitimacy throughout the Gulf conflict. The claim by the US and Britain that Resolution 688 gives them the necessary legal authority for their move is controversial, to say the least, and is unlikely to convince either China or the Soviet Union, both permanent members of the Security Council. The UN itself, which reported yesterday that it had reached agreement with Baghdad to set up "humanitarian centres" in northern Iraq, said its initiative could be undermined by the trilateral action.

No one should thus be under any illusion about the political risks of a humane move which cannot in any case provide more than a very short-term answer to the Kurds' plight. The problem of their long-term security and stability will remain as acute as always after they have been fed and cared for and the allied troops have returned home. Over this matter, the coalition partners can exercise only the most modest influence.

A manifesto from the CBI

WITH so many manifestos in the air, a British general election cannot be far away. On Tuesday, the Labour party published its draft policy paper. Yesterday, it was the turn of the Confederation of British Industry to set out its thinking on the way ahead in a mercifully rather briefer document entitled "Business Agenda for the 1990s".

The most immediately striking feature of the CBI's publication is how far its recommendations are congruent with Labour's stated priorities. Both organisations emphasise the need to increase industrial investment, strengthen manufacturing, improve education and training, promote research and development and modernise the national infrastructure – all within the framework of prudent public expenditure policies.

There are inevitably differences between the two positions, though in terms of measures specifically directed at industry these are mostly in detail and degree. CBI members no doubt still worry about the depth of Labour's new convictions, but the overall impression from the document is that British business finds the prospect of life under a Labour government far from unsettling.

That, of course, says much about the changes which have taken place within the Labour party in recent years. But "The Business Agenda for the 1990s" also reflects changed attitudes in the CBI. A decade ago, it was clamouring for corporatism and interventionism as the solutions to recession and flagging competitiveness. Today, to its credit, the organisation has forsworn pleading for short-term palliatives and given pride of place to the reduction of inflation.

Sterling parity

"Business Agenda for the 1990s" contains scarcely a whimper about the level of short-term interest rates or of sterling. Indeed, it explicitly endorses the maintenance of sterling's parity within the Exchange Rate Mechanism as an essential competitive discipline and calls for the adoption of narrower bands. "There must be no return to to the cycle of inflation and devaluation which characterised the decades of Britain's relative decline," it declares. It is equally forthright in rejecting trade protectionism and direct subsidies, while accepting that industry must shoulder much of the responsibility for improving its own performance by raising standards of management practice and training.

This realism is welcome. However, "Business Agenda for the 1990s" is not primarily a treatise on the virtues of economic liberalism. It is a lobbying document. And when it comes to making specific demands and proposals on behalf of industry, it is less coherent and rigorously thought through.

Economic strength

For instance, the high level of British gross domestic product devoted to consumption is lauded on page one as a sign of economic strength, only to be castigated a few pages later as a diversion of resources from savings and investment. The document is equivocal about corporate takeovers, lamenting their contribution to short-termism in Britain while also calling for a more open market in the rest of Europe. Its arguments for giving more emphasis to manufacturing are unconvincing. The CBI also, like both main parties, is less than clear how its demands for increased government investment in education and infrastructure and for tax breaks for industry can be financed within the framework of tight public expenditure.

However, these are relatively minor inconsistencies. The much bigger question is how far British industry has absorbed the implications of the document's central message about the paramount importance of controlling inflation. In that respect, the government's priorities are set. The onus now is on the private sector. But the signals to date are mixed: this week saw statistics showing a stubbornly high factory-gate prices and a 14 per cent annual rise in executive pay. The CBI may protest that it cannot influence its members' actions. But it cannot expect to be taken seriously by governments until they are seen to be delivering on their side of the bargain.

Tony Jackson analyses the background to the flotation of Mirror Group Newspapers

A fresh chapter in print

For Mr Robert Maxwell, the international media baron, the flotation of his UK tabloid Mirror Group Newspapers, announced yesterday, is something of a hat-trick. Mr Maxwell's empire has been built on three pillars: the Pergamon publishing company, Maxwell Communication (MCC) and the Mirror group. Last month he sold Pergamon to the Dutch group Elsevier; in three months he resigns from the MCC board; and now the Mirror group is going public.

Whatever the 67-year-old Mr Maxwell has in mind with all this, it is certainly not retirement. Though he is leaving the board of the publicly-quoted MCC, he remains the controlling shareholder and is installing his son Kevin in his place. Another son, Ian, will be his deputy at Mirror group.

Asked yesterday why he intended to retain a majority holding of Mirror group after flotation, Mr Maxwell termed that a silly question. "I will not," he said, "so long as I am alive, be in a public company in which I or my family have less than 51 per cent. I learned my lesson from Pergamon" (of which he briefly lost control in the late 1960s).

In which case, it might fairly be asked why Mr Maxwell wants to return to the public arena at all. The answer may never be known in detail: for such a high-profile figure, Mr Maxwell has a remarkable talent for secrecy. Part of the answer, though, can be summed up in one word: debt.

It is impossible to be precise here, since Mr Maxwell's public and private finances are inextricably entwined and his private affairs, as he will forcefully tell the enquirer, are his own business. But at the root of it lies MCC's £1.5bn acquisition of the US publisher Macmillan in 1988. Like his rival Mr Rupert Murdoch, Mr Maxwell was swept up in the rush for media assets in the late 1980s. Like Mr Murdoch, he borrowed hugely to pay for them. And like Mr Murdoch, he nearly came to grief as a result.

Late last year, MCC had to come up with £210m of short-term debt repayment. Most of the money was produced by the simple expedient of selling assets from Mr Maxwell's public pocket – MCC – into his private one, Mirror group.

This left Mirror group heavily borrowed. Indeed, the balance sheet as it now stands shows almost no tangible net worth at all. Of the proceeds of the forthcoming flotation, £210m is to be devoted to debt repayment. The investing public, in other words, is being asked to help pay for Macmillan at one remove.

It cannot be denied, though, that Mr Maxwell's peculiar financial arrangements have given him a certain flexibility. Mr Murdoch came up against the same crisis of debt repayment at around the same time last year and had to throw himself on the mercy of his bankers. As Mr Maxwell pointedly remarked yesterday, "you will notice that Mr Maxwell has not been having any meetings with his bankers. My next meeting will be in October 1992".

On the assumption that the flotation and the £440m sale of Pergamon finally put Mr Maxwell's finances back on an even keel, it is a good time to take stock of his empire. The best place to start is the Pergamon publishing business, which formed the empire's foundation.

There can be no question that Pergamon represents a significant achievement. It was founded on the perception – simple with hindsight, like all the best ideas – that academic and scientific journals represent an ideal commercial marriage between contributors who write for free and subscribers who pay in advance. Elsevier, which has just bought Pergamon, is one of the shrewder European publishing houses. Its price of £440m therefore represents the best evidence of Mr Maxwell's ability to create value from scratch.

The history of MCC is perhaps a little more chequered. Its roots lie in the old British Printing Corporation, which Mr Maxwell took on when it was on the point of collapse in 1981. Mr Maxwell is wont to claim as his proudest achievement the rescue of the UK printing industry. There is a degree of exaggeration here – for example, he relied partly on plans laid down by others – but his energies were vital to the project's success.

But almost all of this was jettisoned in 1988 to raise cash for the acquisition of Macmillan and Official Airline Guides in the US. This was neither a rescue nor building from scratch, but an exercise – characteristic of the late 1980s, though on the whole uncharacteristic of Mr Maxwell – in gaining control of businesses built up by others and using other people's money to do it.

The result of this has been mixed, in stock market terms particularly. Those who had bought shares in the near-bankrupt BPC at the time of the rescue would have profited handsomely. But since the mid-1980s, the share price performance of the renamed MCC has been [illegible] catastrophic.

In the past few weeks, ahead of the Mirror flotation, they have produced a remarkable and slightly mysterious recovery. Even so, they have lost half their value relative to the UK market since their peak in 1984.

That leaves the Mirror itself, whose recovery under Mr Maxwell is detailed below. Here again, as with BPC, Mr Maxwell's achievement is undeniable. Judging by the prospectus, the business is running at a fair pitch of efficiency; though for investors, of course, this raises the obvious question of how much scope there still is for rapid growth in profits.

At present, Mr Maxwell is engaged in his latest high-profile rescue, that of the New York Daily News. Very probably, he will succeed at that as well. Given the history of achievement, the question naturally arises of why he remains such a distrusted figure in British commercial life, so remote from the establishment centre.

The answer given by Mr Maxwell himself at yesterday's press conference – that the British hate [illegible] – does not bear inspection.

The real reason probably has more to do with Mr Maxwell's highly complex personality: the secrecy, the deviousness and the refusal to conform to expected behaviour. His sons appear much more conventional figures, so perhaps the Maxwell empire will form part of the establishment in the long run. British commercial life will be the duller for it.

From doldrums to new dawn

Raymond Snoddy examines the turnaround at MGN

"The numbers cannot lie," Mr Robert Maxwell, the publisher, said yesterday at the marketing launch for the flotation of Mirror Group Newspapers.

Its flagship, the Daily Mirror, may be famous for its pithy words and punchy pictures but it was the numbers that held sway – money paid, money invested, money made. Mr Maxwell is trying to raise about £250m from floating 45-49 per cent of the company partly to pay off debt of more than £200m.

The irony is that Mr Maxwell, long thwarted in his attempts to become a national newspaper owner, was only able to buy the Mirror group in 1984 because S G Warburg, the merchant bank, had advised its then owner, Reed International, that it could not go ahead with a flotation.

He paid £113m for the group, but £23m of that was an inter-company loan, so the real price was £90m. On top of that the premises were then estimated to be worth £10m. In the final year of its previous ownership operating profits at the Mirror group had been £4.3m on sales of £274m. Last year operating profits were £88.3m on sales of £445m.

When Mr Maxwell took over the group, it seemed as if the best days of the Daily Mirror were far behind it. It had sold The Sun to Mr Rupert Murdoch, thus creating a ferocious competitor. Reed has since admitted that it did not feel able to take on the apparently invincible print unions and their exorbitant costs. In pre-Maxwell days, the Mirror's headquarters in London's Holborn were called a "mink-lined coffin", a reference to the newspaper's image as a declining title that was still overspending.

The transformation has been remarkable. In January 1986 Mr Maxwell reached agreement with the print unions – backed by closure threats – to shed 2,100 jobs, nearly two months before Mr Murdoch's dramatic move of his titles to Wapping.

Costs have gradually been squeezed by Mr Maxwell's home-grown management. The operating profit margin rose from 14.6 per cent in 1988 to 19.8 per cent in 1990. Since 1985 the full-time labour force on MGN titles – including the Sunday Mirror, People, Scottish Daily Record, Sunday Mail and Sporting Life – has fallen from a yearly average of 7,235 to 3,726 last year.

Apart from his deal with the print unions, Mr Maxwell has made at least one other key contribution to the turnaround of the group's fortunes. He spotted very early the importance of colour to the future of popular newspapers. He was nearly two years ahead of Mr Murdoch when he introduced colour in 1988. This move has sustained group advertising revenue in the face of the sharpest recession for a decade.

Mr Maxwell exuded optimism yesterday about the future of the popular press and clearly does not take kindly to anyone who suggests otherwise. In January, Mr Roy Greenslade, then editor of the Daily Mirror, told UK Press Gazette, the newspaper industry journal, that he worried about its future. Mr Maxwell revealed that this unauthorised pessimism was one reason the two parted company last month.

But the overall picture seems to support Mr Greenslade. It is one of declining circulation, internecine rivalry and increasing competition from television. Mr Maxwell's £500m investment in re-organisation and colour presses and inserting equipment has meant, however, that the Daily Mirror has had a smaller fall in circulation than The Sun.

In 1988 the Sun had average sales of 4.134m compared with the Daily Mirror's 3.119m; the Daily Record was at 771,00. In 1990 the Daily Mirror was at 3.109m, the Daily Record on 778,000 and the Sun had slipped to 3.896m. In the first quarter of this year the Daily Mirror on 2.988m and the Daily Record on 769,000 were together just ahead of The Sun with a circulation that had fallen 3.739m.

Despite its gentle circulation slide the Daily Mirror still has a 24.5 per cent share of the national popular newspaper market and operating profits are up for the first quarter of this year compared with the same quarter last year. The improved performance has come from increased cover prices, the appeal of colour to advertisers, and inserting.

Two things are unlikely to change at a publicly quoted Mirror Group Newspapers. Mr Robert Maxwell will still be around despite his purchase of the New York Daily News which could be offered for sale to MGN before the year is out.

His part-time commitment to MGN as chairman "would likely be whatever an ordinary man does on a full-time basis", he said. The Mirror titles would also continue to support the Labour party unless it fell "yet again" into the hands of people who do not understand democracy.

Labour had at last seen things the Daily Mirror and Mr Maxwell's way, and had embraced Europe, rejected unilateral disarmament and shown the door to the hard left. "I played a small part in bringing them to heel or to book," said the MGN chairman.

OBSERVER

Open and shut case

■ Although the European Bank for Reconstruction and Development is now well and truly inaugurated, mercurial president Jacques Attali has as yet failed to fill what is probably its second most important position: the vice-presidency of the merchant banking division.

It is vacant because he could not land Ernest Stern, the World Bank senior vice-president, who was in line to be his number two. The job has to go to an American, and Attali says he wants someone with strong investment banking credentials. But he has decided to take his time in filling it, otherwise "the person would be happy for five minutes and I'd be unhappy for four years."

It seems that the "excellent" recruit he seeks should not be nervous about working with him. "I've always thought that only weak people are afraid to work with strong people."

Indeed, opinions about Attali and his bank seem even stronger than before this week's celebrations started. Despite a commitment to "openness", Attali has yet to come to grips with the concept. For example, he had been trying to limit – no doubt for good practical reasons – the access of the bank's 23-strong board of directors to the staff of the bank.

Originally, his suggestion was that board members would be able to access staff only through him or one other person, the bank's secretary-general. Now he appears to be willing also to allow approaches through the bank's five vice-presidents. The topic is far from settled.

He has also made much about press freedom: a free press will be one factor which will condition the new bank's approach to operations in a borrowing country. However, the condition seems not to apply to the bank itself.

Copies of a newsletter, Annual Meeting News, published for the meeting were withdrawn from circulation because of the rude comments about Attali it contained. A libel suit has been threatened.

Gilt of the gab

■ Ireland's communications minister Seamus Brennan has gone one better than selling snow to eskimos. He's charging the Irish for blarney.

Whereas local telephone calls used to cost them a fixed sum regardless of length, they must now pay extra beyond a certain limit. But while Brennan has clearly hit on a goldmine, he's digging it more with a spoon than a shovel. The limit has been set at quarter of an hour.

"It's very difficult for people in this country to complete a conversation in five minutes," a ministerial aide explained. "Even 15 minutes is asking a lot."

OAP directors

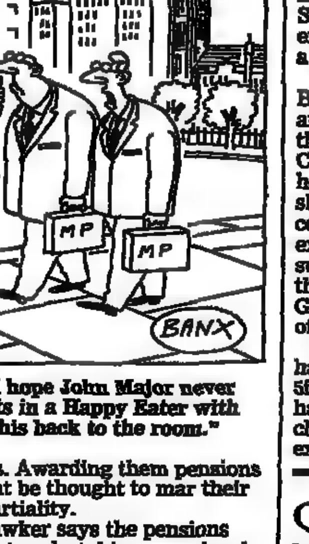
■ What does Sir Lindsay Alexander(ex-chairman of Ocean Transport) have in common with Sir James Hamilton (former top civil servant), Sir Rowland Wright (ex-ICI chairman) and Quinton Hazell (who founded the company of the same name)?

Apart from getting a bit long in the tooth, they are all well worn directors of Hawker Siddeley who, unusually, have been promised an annual pension of £7,000 apiece on retirement.

It's the cosy sort of deal which would probably not be allowed in the statement of best practice for directors which the Institutional Shareholders' Committee is due to release later today. Non-executive directors are supposed to be independent souls. Awarding them pensions might be thought to mar their impartiality.

Hawker says the pensions reflect undertakings previously given to the directors concerned. In future, remuneration receivable by non-executive directors will not be pensionable.

About time too.



"I hope John Major never sits in a Happy Eater with his back to the room."

Wrong plate

■ Can Britain's best known financier do no wrong? A reader reported with ill concealed joy that he had just seen a posh Rolls Royce – licence plate HAN 5ON – clamped in London's Notting Hill Gate.

Had the good Lord Hanson proved humanly fallible at last?

Alas no. Although his carriages do have personalised number plates, his vice-chairman's office tells me the offending one is not among them. Perhaps it should be.

Still on the subject of personalised number plates, I see that Ken Warren, Conservative MP for Hastings, owns MP 1066. Presumably, if he loses his seat it will be amended to XMP 1066.

Small business

■ Sir Michael Edwardes, the South African-born entrepreneur, has always been a trouble-shooter in a hurry.

With spells at Chloride, British Leyland, ICL, Mercury, and Minorco – where he led the abortive bid for Consolidated Gold Fields – he has tested his management skills on more famous companies than most executives. So it seems surprising he may soon join the board of troubled Porth Group, Britain's biggest maker of artificial christmas trees.

Capitalised at just £2m, it hardly sounds big enough for 5ft 3½in Sir Michael. It does have a South African in charge, however, which may explain the interest.

Q.E.D.

■ The pathfinder prospectus for the flotation of Robert Maxwell's Mirror Group contains this helpful note in the articles of association:

"A Director shall be capable of being appointed or re-elected a director despite having attained the age of seventy or any other age and shall not be obliged to retire by reason of his having attained any particular age and Section 293 of the Act (relating to the appointment and retirement as directors of persons who are aged seventy or over) shall not apply."

Maxwell is nearing 68.

Quickie

■ Heard about the man who took a speed-reading course?

"Absolutely marvellous," he said afterwards. "I've just read War and Peace in 10 minutes – it's all about Russia, you know."

ECONOMIC VIEWPOINT

Now forward to the 1960s

By Samuel Brittan

The Oxford and Cambridge university unions had a neat way of circumventing the ban on discussing contemporary issues imposed during the period of repression which followed the Napoleonic wars. They would take some earlier historical controversy and discuss it in contemporary terms. For instance, they would pretend to discuss Cromwell's commercial policies to debate the corn laws of the early 19th century.

I had a feeling something similar was afoot when I took part last weekend in a conference in Glasgow University to mark the 80th birthday of its chancellor, that perennially youthful British economist, Sir Alec Cairncross. The occasion was a great success, thanks in large part to the chairmanship of Lord Callaghan and the efforts of Sir Alec's daughter Frances, who is an example of that extremely rare breed – an economic journalist with organisational ability.

The topic chosen was: did the mistakes of the 1960s contribute to the problems of the 1970s? To his credit, Sir Alec himself voted in favour, although he was economic adviser to the Treasury for most of the 1960s – the "growthmanship" of the period was undertaken despite rather than because of his advice.

Occasionally I was reminded of Wordsworth's lines from The Solitary Reaper:

Perhaps the plaintive numbers flow
For old, unhappy, far-off things,
And battles long ago.

Time had not diminished, for instance, the strongly opposing views on the realism of the growth targets of the 1960s.

An example of "growthmanship" continuing long afterwards was the Bonn summit of 1978, at which the German government was chivvied into raising its budget deficit under the slogan of "increasing growth by 1 per cent". Any illusion that anything is learned from history was dissipated when I arrived back from Glasgow to find the US Treasury Secretary, Nicholas Brady, berating the Germans for pushing up real interest rates – as if such magnitudes were under official control.

* * *

Just how difficult it is to step out of the historical rut is shown by Labour's "Better way for the 1990s". It is mainly a rehash of earlier policy statements and has had a very soft reception. But although some of the more alarming ideas the 1970s and 80s are jettisoned, it still serves to remind us how little Labour has moved from the soft collectivism of the 1960s. The collapse of hard collectivism in central and eastern Europe, and the determination of electorates there to have no truck with a third way between communism and capitalism, are not even mentioned. The new Labour buzz word is "partnership". But there is no real change. The Conservatives are condemned for their refusal to "accept the case for an industrial policy". The authors tie themselves into knots saying that they will not try to pick winners and only succeed in convincing me that they will pick losers. (Conservative govenments are no slouches at picking losers either, as we know from Concorde and the atomic energy programme.)

Gordon Brown: Labour's not-so-bright-eyed industrial spokesman

Can you imagine Brunel bothering to acquire an NVQ? Would he have passed if he tried?

We still come across the assertion, particularly associated with Labour's overrated industrial spokesman, Gordon Brown, that manufacturing has an intrinsic importance not enjoyed by other sections of the economy, such as services. This singling out of one type of activity is offensive to those of us who might sympathise with some of Labour's ideas on constitutional (and even budgetary) reform, who would like more redistribution in favour of the poor, but who will not be bullied into accepting sheer superstition. Nor is it a recommendation that some industrialists, who vote against Labour for pocket-book reasons, share the same fixations.

From here it is a natural step to a Manufacturing Investment Programme and tax incentives for companies to invest in science and technology parks. We are truly in the land of the expensive business clichs – expensive because financed by the taxpayer.

There is of course to be a National Investment Board to bridge the "long–term investment gap"; and no doubt to retrace the history of the National Enterprise Board. Takeovers will be judged "not only by their impact on competition, but also on their impact on research and development, regional location, employment, export strategies and the environment". In other words, official committees are to second-guess economic decisions. After that it is a foregone conclusion that British Telecom will not be sold off or that the Post Office is to remain forever a state fief.

I normally suppress all iconoclasm on the sacred subjects of education and training. But what do you make of the following? "Although the National Council of Vocational qualifications and Scotvec has done much good work, Britain is still far from a system of high-quality NVQs common across industry." It makes me sympathise with John Major's distrust of paper qualifications. Can you imagine Isambard Kingdom Brunel, who was responsible for the best railway architecture in the UK, bothering to acquire an NVQ? Would he have passed if he had tried?

Unfortunately it is still not possible for market economists to support Labour with a straight face

By comparison with the industrial section, Labour's treatment of Treasury matters is almost benign. The National Economic Assessment will no doubt provide relief for commentators, as well as economists and statisticians.

Beware, however, of the top marginal personal tax rate supposedly of 50 per cent. If we allow for the abolition of the ceiling on employees' National Insurance contributions (in itself desirable) the marginal rate rises to 59 per cent. And if we take into account employers' contributions and consumer taxes, the effective top marginal rate could be well over 70 per cent. (It is 50-60 per cent even today, a point Conservative chancellors do not like my making).

But it is the so-called social side that makes me most cross. For this is just where Labour is at its most stick-in-the mud and in my experience does not even welcome outside discussion, taking the attitude: "Please talk to us about European monetary union, but stay out of our own backyard when it comes to policy on poverty." No such territorial claim is going to convince me that an indiscriminate across-the-board increase in pensions of £5-£8 per week, followed by upgrading in line with earnings is a cost-effective way of helping the worst off. And Labour's attachment to the National Insurance system and lack of interest in using the tax system to pay out benefits where they are most needed is worthy of Mrs Thatcher at her most reactionary.

As for the national minimum wage, starting at a half of men's median earnings, but eventually rising to two-thirds: this is an inbuilt engine for destroying jobs. The case for it is not strengthened by references to its prevalence in other Community countries where unemployment is high by both international and historical standards. To deny the connection between pay and jobs is like denying that water runs downhill. There are libraries full of empirical research which spells this out in detail.

Unfortunately it is thus still not possible for market economists to support Labour with a straight face. This is something about which I used to worry even at university when I was an active member of the Labour Club. I supposed this explained the tendency of Labour-sympathising economists to retreat into macroeconomics, which I myself occasionally still do in such circles for the sake of a quiet life.

A market economist might vote Labour for non-economic reasons or out of democratic belief in an alternation of parties. But nonsense remains nonsense, however progressive or unTory one wishes to be.

BOOK REVIEW

Bridging the gap for the ordinary man

Professor Sir Michael Howard is the most urbane of contemporary British historians. His best and most detailed book, The Franco-Prussian War, was published in 1961. Since then he has gone on to produce shorter works, numerous essays and lectures and newspaper articles. It was essential for his task that he had a major work behind him. And what a brilliantly well-chosen one it was. Franco-German relations have remained the key to much of European history long after 1870, and an understanding of the details, the technology and the psychology of war remain an indispensable guide to the present.

No contemporary historian could be better equipped. Professor Howard can write with equal facility about the nuclear balance of power and the war in the Gulf. He bestrides the gap between continental western Europe and the east coast of the United States. For Howard is more than a military historian. He writes well and sometimes speaks even better. When he became regius professor of history at Oxford in 1981, he drew attention to the apparent anomaly of a university professor being appointed by the crown. Yet as he must have known, he was the ideal man for the job.

In his inaugural lecture, he spoke of the old debate about what the Oxford history school is for: whether to train historians to teach historians, or to teach history to the ordinary man. He cited a predecessor as defining the latter as "one capable subsequently of being a cabinet minister, a bishop, an ambassador, a viceroy of India or one of the permanent under-secretaries in the civil service". Howard's preference, *mutatis mutandis*, clearly lies in teaching the ordinary man.

In such a task he has been outstandingly successful. Some of the truths in this selection of essays and lectures may be self-evident, but they are still worth repeating. For examples: do not judge the past by the fashions and ideas of the present. Bear in mind that while historical idols may not have feet of clay, they were made of flesh and blood. Remember

THE LESSONS OF HISTORY
By Michael Howard
Oxford University Press £17.50, 217 pages

that Neville Chamberlain and his generation grew up rooted in empire, not the European continent, which may help to explain some of their mistakes about Germany.

Again, Howard explains that one of the reasons why people expected the first world war would be short was that the last big European war, in 1870, had lasted only six months. He points out that it is a demonstrable myth that nazism was a natural extension of Prussia. Moreover, it scarcely occurred to anyone until towards the end of the 19th century that European conquests of territory had to be morally justified. On the contrary, conquest could be seen as a *mission civilisatrice*, or even a mandate from heaven, not even much resented by those conquered. It was the natural way of things.

'The ignorance of educated men can be a more powerful force than knowledge.'

Howard gives all the warnings, too, about the dangers of ethnocentrism: "Our awareness of the world and our capacity to deal intelligently with its problems are shaped not only by the history we know but by what we do *not* know. Ignorance, especially the ignorance of educated men, can be a more powerful force than knowledge."

On war, he cites Clausewitz and the "paradoxical trinity". This is composed of governments, for whom war is an instrument of policy, of the military, for whom it is the exercise of a skill, and the people as a whole, the extent of whose involvement determines the intensity with which the war can be fought. The problem is, as we know from the war in the Gulf, getting the

Prof Howard: most urbane

balance of those three forces right. It is as difficult for the war-maker as for those who try to stop him.

As an entertainer, Howard is full of intriguing facts. On the eve of the first world war, he notes that five out of the seven honorary doctorates at Oxford were given to Germans, yet at the same time one in three of undergraduates had joined the Officer Training Corps in preparation for battle. The British army defended the use of the bayonet until the last partly because possession of it provided a moral incentive to use it.

Howard thinks that militarism was instilled into the British by empire, which had to be defended. Then he makes the wholly serious point that while wars used to be about territory, today people are more important than land.

As an historian, Professor Howard has performed his own *mission civilisatrice*. As he himself warns, however, even historians are products of their own times. Howard would not, I think, have advocated Britain being a full part of the European Community from the Treaty of Rome onwards. He prefers nation states, in which he had his intellectual upbringing, to pastures new. Indeed if he were not so urbane, he might even have been a natural member of the Bruges Group. That is the only depressing comment that I have to make on a book by a very wise man.

Malcolm Rutherford

LETTERS

Future of the European Commission

From Mr Dick Taverne.

Sir, In the Brussels discussions about the future of political and monetary union, one important item has been left out: the future and effectiveness of the European Commission.

The Commission seems to have few friends in high political places. It is therefore worth bearing in mind how vital an effective Commission is to the Community's well-being.

The Commission is the only European institution which represents the interests of the Community as such, rather than those of the nation states. There are times when all states benefit from the assertion of this wider perspective.

The Commission has played a crucial role in the remarkable progress we have made towards a single market. Further, we would not be as close as we are to agreement about monetary union if it had not been for the Delors Report and the efforts of M Delors himself.

Whatever the nature of the new constitution which emerges from the inter-governmental conferences, the role of the Commission is likely to be more important than ever. There will be more majority voting in the Council, which enhances the Commission's role; there will be new fields in which the Commission will acquire the right to make proposals, a right which has been in part the [illegible] of its influence.

But if the Commission is to perform these enhanced duties effectively, it must function better than it does now. The number of commissioners is too large.

I am told that on important issues a preliminary *tour de table* takes two-and-a-half hours. And there are doubts about the cohesion of the Commission as a body.

In 1979 the Spierenburg Committee (of which I was the British member) was set up to review the working of the Commission. Two of its central recommendations were to reduce the number of commissioners and to split the duties of the presidency.

We recommended that there should only be one commissioner per member state. There are now 17, two for each of the larger states. If and when Austria, probably Sweden, and possibly others join, the college will become unmanageable.

We also recommended that, to relieve the burden on the presidency, there should be a deputy president. The president would be concerned with strategy and represent the Commission on important matters inside and outside the Community; the deputy president would be responsible for organising and co-ordinating the Commission's internal work.

These recommendations are as relevant as ever. They should be revived as an important practical contribution to the future of the Community.

Dick Taverne,
PRIMA Europe Ltd,
14 Soho Square,
London W1

Purpose of poll tax in the retail prices index

From Mr R.F. Couldrey.

Sir, Dominic Hobson objects (April 16) to the inclusion of the poll tax in the RPI by saying it is not a price and therefore has no place in a retail prices index.

The real issue is not the name of the index but its purpose.

We believe that the purpose is to measure changes in costs to the consumer, and as such, tax burdens which are not a function of earnings should be included.

Our own Consumers Price Index has always included these taxes since its inception in 1972.

R.F. Couldrey,
managing director,
The Reward Group,
Stone Business Park,
Staffordshire

Blind spot on the Dark Ages

From Mr Peter Clery.

Sir, David Richardson, a tenant himself, appears to have a blind spot ("Tenant farmers fear return to Dark Ages", April 16). There is currently a massive subsidy in value terms from landlord to tenant. This is beyond doubt as the price of agricultural land subject to agricultural tenancy is generally half the value of the same land with vacant possession.

The minister of agriculture is proposing freedom of contract (on new tenancies only). For would-be tenants to claim some further rights over a landowner's freehold property is impertinent and illogical.

If the minister's proposals [illegible] through, it is likely that there will be considerable opportunities for new lettings on a freely agreed basis. One might even arrive at the position, as is the case in commercial lettings, where a farm let to a good tenant is worth as much as it would be if in hand.

This point appears to have been missed by Mr Richardson and the tenant farming lobby which seeks a degree of influence over landowners' property completely unjustified by the circumstances.

Peter Clery,
managing director,
The Lands Improvement Group Limited,
1 Buckingham Place, SW1

Quality and productivity in education

From Mr John Farago.

Sir, In the last 10 years industry and commerce (and readers of the FT's Management features) have learned that dedication to continuing improvements in quality of goods and services to meet rising customer expectations, almost invariably brings added benefits of less waste, lower costs, higher productivity and an improved working environment.

Those unwilling to change attitudes, methods and organisation have not survived.

Dedication to quality improvement techniques, better use of time and other resources is just as likely to yield improved, more cost-effective service and elimination of waste in the labour-intensive fields of research and education; better quality and productivity need not mean less personal contact with students or larger classes.

If teachers and academics (like Mr George Bernard, Letters, April 12) say: "productivity cannot be raised except at the expense of quality" who is asking for a free lunch – and who will pay for it?

John Farago,
Farago and Associates,
121 Church Road,
Wimbledon, SW19

Role model

From Mr I.A.D. Martin.

Sir, Colbert is an unseemly role model for Mr Norman Lamont. Colbert attained the Finance Ministry after engineering the imprisonment of his predecessor.

I.A.D. Martin
Vaudrey Osborne & Mellor
13 Police Street
Manchester

Chemical mix-up was no laughing matter

From Dr A. Scotney.

Sir, I have no doubt that many of your chemically trained readers experienced the same delicious *frisson* as I when they read Clive Cookson's item "Nitrous Acid gets last laugh" (April 10).

Suffice it to say that intractable confusion between nitrous oxide (laughing gas) and nitrous acid (an entirely distinct compound known only in an aqueous solution) rendered the entire article largely meaningless.

Nitrous and nitric acids are present as pollutants in atmospheric water droplets largely as a result of emissions of two other oxides of nitrogen (nitric oxide and nitrogen dioxide) from petrol combustion and other chemical processes.

However, I was particularly entertained by the prospect of dentists using nitrous acid in high concentration as an anaesthetic.

It would be unlikely to induce the last (or any other) laugh, but I can confidently predict the last gasp, the last rites and the last will and testament in that order.

Dr A. Scotney,
17 Hyndland Avenue,
Glasgow
G11

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Thursday April 18 1991

Kurdish groups welcome protection for refugees but raise further questions for allies

Iraqi stability 'may hinge on Kurd problem'

By Victor Mallet, Middle East Correspondent, in London

A Kurdish woman and her grandchild wait in the Iskiveren refugee camp yesterday

THE DECISION [illegible] US, British and French troops to establish and defend Kurdish refugee camps in northern Iraq raises the question of how long the Kurds will need protection from their own government.

The answer, according to Kurdish refugees and exiles, is that the United Nations or the western powers will have to safeguard Iraq's 4m Kurds at least until President Saddam Hussein is overthrown, and possibly longer.

Kurdish groups yesterday welcomed US President George Bush's announcement on the deployment of troops to protect Kurdish zones in northern Iraq, but they emphasised that the move responded to urgent humanitarian needs without providing a political solution to the Kurdish problem.

[illegible] Iraqi Kurds, including [illegible] main opposition [illegible] fighting the Iraqi government, have officially rejected separatism and are demanding autonomy within a united and democratic Iraq.

Few of them, remembering the killings of recent days, the gassing of Kurds at Halabja in 1988 and the destruction of 4,000 Kurdish villages on Mr Saddam's orders, will ever be persuaded [illegible] accept [illegible] Mr Saddam's periodic [illegible] of amnesty [illegible] Kurdish refugees.

Kurds say [illegible] even if Mr [illegible] removed, [illegible] nationalist and anti-Kurdish [illegible] Iraqi [illegible] may [illegible] further [illegible] for the Kurdish [illegible]le.

"We [illegible] be reduced to a refugee population in [illegible] number of camps," [illegible] Dr Kamal Mirawdeli, director of the Kurdish Information and Educational Project in London.

"But even if the Shia come [illegible] or another government – a pro-Saudi government – there is no guarantee that [illegible] won't behave in the same way... The only guarantee is for there to be a federal state and for the UN to recognise that."

Kurds facing long stays in bleak refugee camps are acutely aware of the mistakes made by their Palestinian fellow-refugees. They fear they may live to regret leaving their homes in the face of real or threatened persecution, and moderate Kurds are anxious to restrain those who advocate terrorism.

"If we're going to have a permanent refugee problem then obviously it's going to be worse, a lot worse than expected," said Mr Abbas Vali, senior politics lecturer at the University of Wales at Swansea. "It's going to be a breeding ground for all sorts of negative tendencies in the Kurdish movement."

The Kurds have few qualms about seeking military help from the outside world. They argue that the world has obligations under the Genocide Convention of 1948. They point out that foreign intervention to help peoples subjected to tyranny is not unprecedented and they cite the US invasion of Panama in 1989 and the Tanzanian overthrow of Uganda's Idi Amin 10 years earlier.

Kurdish guerrilla groups resent the suggestion that they miscalculated by launching an ill-advised rebellion throughout Iraqi Kurdistan after the allies defeated Mr Saddam's army and drove it out of Kuwait.

What in fact occurred was a spontaneous popular uprising that the guerrillas could not ignore. At first they had only 10,000 fighters under arms but their ranks were swelled by mass defections from the government's Kurdish militia.

All were lightly armed and could not hope to hold the towns when confronted with Iraqi tanks, artillery and helicopter gunships.

They were defeated in Kirkuk but elsewhere they simply melted into the hills to continue the fight.

Civilians in towns, meanwhile, took fright as the government again seized control and took its revenge; in the old days they would have taken refuge in their mountain villages, but Mr Saddam had destroyed these. They fled to Iran and Turkey, leaving Iraqi Kurdistan all but deserted and suffering [illegible] catastrophe which [illegible] finally embarrassed the US and its allies into taking action.

If the Iraqi Kurds are ever to leave the refugee camps, which have yet to be built to receive them, and if the international community is ever to be relieved of the responsibility of protecting them, the Kurds will have to become part of Iraq's political system.

Kurds insist that the successful achievement of this aim, which could be accompanied by a better deal for the Kurds in Turkey and Iran as the Turks and the Iranians [illegible] relations [illegible] west, depends [illegible] the removal of Mr Saddam.

"There has to be a mecha[illegible] for allowing the Kurds to [illegible] say in the governmental process," [illegible] Vali. [illegible] the allied forces, [illegible] west, are looking for a [illegible] Iraq – [illegible] is really their primary objective rather than democracy – they must take into consideration the fact that there can be no stability in Iraq if 4m to 5m Kurds are excluded," Mr Vali says.

European Parliament fears its role in legislative process will be limited

Delors warns on EC union proposals

By Andrew Hill in Strasbourg

LUXEMBOURG'S [illegible] political union risk turning the Commission into a mere "sec[illegible] to the other [EC] institutions", Mr Jacques Delors, president [illegible] the European Commission, [illegible] yesterday.

[illegible] the same time, members [illegible] European Parliament expressed [illegible] they would be given only a limited new role in the legislative process under the plans tabled by Luxembourg, which holds the European Community presidency, on Monday.

The [illegible] on the proposals revealed the deep-seated concerns of the two EC institu[illegible] about [illegible] decision-making power will lie in a united Europe.

[illegible] treaty on political union drawn up by Luxembourg proposes increasing the powers of the parliament by giving it the right of "co-decision" with [illegible] EC governments on certain legislation.

[illegible] the moment the parliament's legislative role is principally advisory. It is the Commission in Brussels which initiates laws, and later attempts [illegible] broker compromises between member states [illegible] between [illegible] and the parliament, which [illegible] propose amendments to legislation.

The Commission is worried that it will be squeezed out of the legislative [illegible] altogether under the new proposals.

"How can one explain the willingness on the part of certain of the Community's founder members to weaken one of the institutions of the Treaty (of Rome) – the Commission?" asked Mr Delors, in yesterday's debate on the progress of the inter-governmental conference (IGC) on political union.

MEPs concede that the Luxembourg proposals are superficially attractive for them, but they are worried because the draft limits the right to co-decision to a new category of EC act called "laws". These EC laws would deal with "fundamental principles and general rules", undefined in the Luxembourg paper.

Mr David Martin, British Labour MEP for Lothians and a member [illegible] the parliament's committee on institutional affairs, said [illegible] "The draft treaty is better than we anticipated but that's only because our level of [illegible]tion was pretty low. It's [illegible] short [illegible] what parliament would accept in terms [illegible] treaty reform."

Under the draft, MEPs would be able to reject Council positions they disliked. The draft would also set up a conciliation procedure, similar to that [illegible] the US [illegible] conflicts between parliament and council.

[illegible] Jacques Poos, Luxembourg's foreign minister, apparently [illegible] that [illegible] would win [illegible] support of nine of the 12 member states. Although he has not named [illegible] they are thought to be the UK, Denmark and either Ireland or Portugal.

The power struggle is further complicated by disagreements between the Commission and the Parliament. For the time being, MEPs are understood to have toned down their calls for a right to initiate legislation, in order to persuade the Commission to back its calls for improved co-decision in the IGC. But the Commission's own proposals on co-decision still fall short of the parliament's wishes and, to Mr Delors' dismay, were roundly criticised by members in yesterday's debate.

● The European Commission said yesterday it was vetting a takeover of Adia, the Swiss services company, by Asko, the German retailer, and the Swiss magnate Mr Klaus Jacobs, Reuter reports from Brussels.

The Commission has 30 days to decide whether to open a full-scale inquiry.

Asko and Mr Jacobs last month bought a 53 per cent stake in Adia from Swiss Omni holding and recently purchased another 5 per cent on the market, acquisitions worth some SFr900m ($634m).

UK claims against drug groups rise

By Robert Rice in London

THE number of alleged victims of tranquilliser addiction bringing claims [illegible] companies Roche – based in Switzerland – [illegible] Wyeth – a subsidiary [illegible] American Home Products – has almost doubled to 6,000 since the London High Court cleared the way for a "group action" against the manufacturers of benzodiazepine drugs in January.

Mr Paul Balen, the chairman of the Benzodiazepine Solicitors Group which is co-ordinating what will be the largest personal injury action ever brought in the UK, said yesterday that applications for legal aid from alleged victims wanting to join the group action were mounting at the rate of 40 a day.

Nearly 6,000 applications for legal aid have been made so far by potential claimants.

Most of the claims relate to Ativan made by Wyeth and Valium made by Roche. The claimants allege negligence against the two drugs companies for failure to give adequate warnings to doctors in accompanying drugs literature that the pills should only be used in limited circumstances because of the danger that patients would become dependent on them.

In relation to Ativan, it is also alleged that the manufacturer recommended too high a dose.

At a preliminary hearing in the High Court last week, Mr Justice Ian Kennedy, the judge appointed at the end of last year to supervise the litigation, authorised the addition of Librium and Serenid to a list of 15 brand-named drugs which he approved for inclusion in the litigation in January. Librium is made by Roche and Serenid by Wyeth.

Mind, the mental health charity, says more than 1m people in the UK may have been addicted to benzodiazepines. The solicitors involved, however, do not expect the number of claimants to exceed 10,000.

US Congress tries to resolve rail strike

[illegible] Nancy Dunne in Washington

THE US Congress [illegible] yesterday working on [illegible]gency legislation to bring a rapid end to a potentially crippling nationwide rail strike.

The American Association of Railroads said the strike, which began yesterday morning, was affecting freight traffic right across the country and that picketing was widespread.

Congressional leaders, who hope [illegible] be [illegible] send a bill to President George Bush by today, have been holding meetings with Administration officials and their [illegible] early hours [illegible] as they [illegible] stoppage, which [illegible] thought likely to cost about [illegible] day in [illegible] initial [illegible]ges.

The strike, by 10 unions rep[illegible] about 250,000 workers, comes after three years of effort to agree on wages, workers' health care costs and the size of work crews. The railroads want to increase productivity by eliminating what they consider to be outdated and outmoded work rules.

Mr Samuel Skinner, transportation secretary, warned that a prolonged stoppage would impair national defence and have a disastrous effect on the economy as it struggles out of recession. If it continued, the strike would ultimately cost $1bn a day as more indus[illegible] were [illegible] lay [illegible] wor[illegible] he said.

The Administration sought to head off the strike last May by establishing a three-man presidential emergency board to recommend a settlement. Similar boards have provided the basis for settlement in at least three strikes in the industry in the past decade.

The board recommended pay rises averaging between 3 and 4 per cent a year over the next three years. However, it also called for changes in work practices broadly in line with management demands and said that workers should shoulder a higher proportion of health care costs, which the unions rejected.

Mr Skinner urged Congress to resolve the dispute by imposing a settlement based on the proposals of the emergency board.

"It would be very dangerous for the administration or the Congress to attempt to revisit and structure a whole new settlement when we have basically an independent process that was established with the acquiescence of management and labour."

However, he acknowledged that "a process" [illegible] must [illegible] established [illegible] ambiguities' in the [illegible] report.

Congressman Al Swift, [illegible]man of the House transporta[illegible] subcommittee, [illegible] that [illegible] not in a position [illegible] "renegotiate [illegible] issues that have been on the table for three years".

One option being discussed in talks between Congress and the Administration was a 100-day "cooling off" period. The unions and freight carriers would have 10 days to raise disputed issues. A new board would have 40 [illegible] to consider and propose recommendations. This would be followed by more negotiations.

A [illegible] could make the difference, Page 6

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	16	61
Algiers	C	14	57
Amsterdam	F	6	43
Athens	S	19	66
Bahrain	C	27	81
Bangkok	F	35	95
Barcelona	C	15	59
Beirut	–	–	–
Belfast	F	6	43
Belgrade	F	13	55
Berlin	R	7	45
Biarritz	C	11	52
Bombay	S	36	97
Bordeaux	S	12	54
Boulogne	F	8	46
Brussels	C	9	48
Budapest	C	8	46
Buenos Aires	R	21	69
Cairo	S	24	75
Cape Town	S	24	75
Caracas	F	30	[illegible]
Casablanca	R	15	[illegible]
Chicago	S	7	[illegible]
Cologne	R	3	[illegible]
Copenhagen	S	7	[illegible]
Corfu	F	18	[illegible]
Dallas	C	21	[illegible]
Dublin	C	5	[illegible]
Dubrovnik	R	13	[illegible]
Edinburgh	F	7	[illegible]
Faro	R	15	[illegible]
Florence	C	17	[illegible]
Frankfurt	T	4	[illegible]
Geneva	S	7	[illegible]
Gibraltar	C	15	[illegible]
Glasgow	F	7	[illegible]
Helsinki	Sn	3	[illegible]
Hong Kong	C	25	[illegible]
Innsbruck	Sn	1	[illegible]
Inverness	C	5	[illegible]
Islamabad	F	24	75
Istanbul	S	14	57
Jakarta	R	30	86
Jersey	C	8	46
Johannesburg	F	23	73
Lima	F	25	78
Lisbon	R	14	57
London	C	7	45
Los Angeles	F	12	54
[illegible]	F	[illegible]	46
Madeira	F	18	64
Madrid	[illegible]	[illegible]	61
Majorca	[illegible]	18	64
Malaga	C	15	59
Malta	C	19	66
Manchester	C	[illegible]	43
Manila	F	34	93
Melbourne	C	18	64
Mexico City	–	–	–
Miami	S	25	77
Milan	[illegible]	5	41
Montreal	Fg	4	39
Moscow	[illegible]	8	[illegible]
Munich	C	[illegible]	36
Nairobi	–	–	–
Naples	F	16	61
Nassau	F	29	85
New Delhi	[illegible]	29	84
New York	[illegible]	13	55
Nice	S	19	66
Nicosia	S	[illegible]	64
Oporto	[illegible]	20	68
[illegible]	F	5	41
Paris	[illegible]	8	46
Peking	R	12	54
Prague	F	[illegible]	45
Reykjavik	F	6	43
Rhodes	S	18	64
Rio de Janeiro	–	–	–
Rome	R	13	55
Salzburg	[illegible]	2	36
San Francisco	C	10	50
Seoul	R	15	59
Singapore	F	29	84
Stockholm	Sn	0	32
Strasbourg	C	[illegible]	45
Sydney	S	[illegible]	73
Taipei	F	30	86
Tangier	[illegible]	15	59
Tel Aviv	F	20	68
Tenerife	C	20	68
[illegible]	S	[illegible]	[illegible]
Toronto	S	3	37
Tunis	C	[illegible]	[illegible]
Valencia	F	16	61
Venice	R	8	46
Vienna	C	4	39
Warsaw	C	6	43
Washington	S	15	59
Zurich	C	5	41

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny [illegible] T–Thunder

THE LEX COLUMN

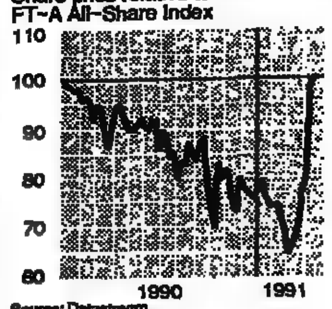
Mr Maxwell's second coming

The Mirror Group flotation gives the investing public its second chance in a decade to become minority shareholders in a Maxwell-controlled company. Past experience might suggest that no investor in his sober senses would bother. But Mirror Group differs from Maxwell Communication in some important respects. It has less debt, even if its gearing net of intangibles will be around 150 per cent. It is much more transparent, since its circulation and advertising revenues can be readily calculated. And if only for that reason, it is perhaps less likely to be the chosen vehicle for Maxwellian escapades.

Nevertheless, the presence of Mr Maxwell as chairman and controlling shareholder remains the most important consideration in pricing the stock. Shareholders must brace themselves for unpredictable changes in strategic direction, adventurous accounting policies and no more disclosure than is good for them. This might suggest that the shares should be priced on a yield basis with reference to MCC. But that is tricky, since the extraordinary and opportune recovery in MCC shares shown in the chart has taken their yield from 15 per cent to 8.5 per cent in a couple of months.

Maxwell Communication

Share price relative to the FT-A All-Share Index



Source: Datastream

The initial target of the flotation appears to be a multiple of somewhere around 10, giving a total market value of £500m. On the basis of a twice-covered dividend, that would give a yield of 6.7 per cent. Even under more conventional management that might not seem unduly generous, given that the newspapers now operate at full efficiency in a relatively mature market. On the other hand, the fact that the massive £500m capital expenditure programme is virtually complete has obvious benefits for future cash flow. But however the issue is priced, it is unlikely to be one [illegible] the [illegible] The essence of stagging is to intercept shares on their way to the institutions; and there will be some UK [illegible] any rate, who would be reluctant to go for this one at any price.

Lloyds Chemists

It is not the average company that can announce a one-for-two rights issue and see its share price rise. Lloyds Chemists' success is all the more remarkable because its story is really rather dull. There may be plenty of mileage left in the strategy of buying up independent chemists, sticking on a new shop-front and pushing own-label products from an efficient distribution system. There is even a clear pool of desirable acquisitions in what remains a fragmented sector. But it is hard to get too excited about the long-term potential of the business as it stands, even if EPOS is successfully installed. As Boots has discovered, diversification when it comes can be painful.

The acquisition of the Kingswood chain from Booker is a typical Lloyds deal, though the addition of the troubled Holland & Barrett chain of health food stores at a cost below net book value was unexpected. No doubt Booker insisted on the package. Certainly the commercial logic is elusive unless [illegible] wanted to begin [illegible] own [illegible] Cost-cutting will probably start with directors' salaries, but H&B will be marginal to the group's success. It might make £4m next year; the group could make £40m.

Lloyds' shares have outperformed the market by nearly 70 per cent over three years. But at 278p, they remain on a cheap rating given the underlying profits growth and promised 50 per cent dividend increase.

One is nevertheless left with the nagging question of why shareholders should stump up more than the cost of the acquisitions simply to clear the balance sheet of debt. Whatever happened to cash generation?

PSBR

Yesterday's UK public sector borrowing requirement figures for March are a little worrying given that the recession looks likely to haunt the Treasury for some time yet. But bearing in mind that the £8bn deficit projected on Budget day looked out [illegible] date [illegible] the implications for government funding should not be [illegible]ated. With the British Telecom stake flotation up [illegible] sleeve, the government [illegible] plenty [illegible] room for manoeuvre. Its biggest concern might be the pressure placed on institutional liquidity by the competing demands of gilts, rights [illegible] and give-away privatisation shares.

Michelin

Yesterday's announcement from Clermont-Ferrand [illegible]firms that Michelin workers [illegible] being [illegible]ked to pay [illegible] heavy price for [illegible] ill-timed acquisition of Uniroyal Goodrich. Investors, though, have already had [illegible] the [illegible] At [illegible] night's [illegible] FFr90, the shares are trading at [illegible] quarter of their all-time high before [illegible] 1987 crash, [illegible] their value has [illegible] halved since [illegible] when [illegible] $1.5bn purchase of [illegible] second largest tyremaker catapulted Michelin to [illegible] top [illegible] the worldwide league.

There are, of course, explanations besides Uniroyal for last year's dreadful figures and the company's own acknowledgement that it will not be back in the black until 1992. The global tyre business continues to be dogged by gross overcapacity, and Michelin has had little choice but to drive prices lower in a grim battle for market share. The sharp decline in the US dollar, moreover, certainly did not help.

Having said that, though, the cost of financing the Uniroyal deal is, to a very large extent, responsible for the dire state of the balance sheet. Gearing is already 280 per cent if the FFr5.5bn of subordinated loans is treated as debt, and is likely to go well beyond 300 per cent before the year is out. Interest charges of around FFr3.1bn compare with operating profits of just FFr1.9bn. The burden [illegible] enormous even with a promised [illegible] per cent cut in employee [illegible] a [illegible] per cent [illegible] in capital [illegible] and [illegible] wind from [illegible] market [illegible]

However urgent [illegible] for new capital, it is hard [illegible] see how balance sheet [illegible] can be quickly relieved. Existing [illegible] would be [illegible] diluted by a rights issue and [illegible] industrial partner [illegible] certain to be put off by [illegible] consciously bid-proof ownership [illegible] So much can yet go [illegible] only real risk-takers should ride this one for the recovery.

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INSIDE

Healthy showing [redacted] US drugs groups

The financial health of the world drugs industry was again reflected in the first-quarter [redacted] of two leading US drugs groups [redacted]rday. Bristol-Myers Squibb, the world's [redacted] gest drugs company, turned in [redacted] 20 per cent improvement in first-quarter net earnings while net income at Warner-Lambert, the pharmaceu-[redacted] non-prescription health company, [redacted] 16 [redacted] cent. Page [redacted]

Letting the good times roll again in Japanese shipyards

For Japanese shipyards, with memories of ruinous cut price competition from the mid-1980s, the good times are back. Bloated with [redacted] books, they [redacted] now turning [redacted] traditional [redacted] of skilled [redacted] and [redacted] poor image [redacted] new recruits, Japanese [redacted] are reluctant to increase capacity. [redacted] they [redacted] placing [redacted] greater [redacted] productivity [redacted] existing resources – an [redacted] drive has [redacted] number [redacted] manual working [redacted] about [redacted] per [redacted] Thomson reports. Page 19

Another British builder joins the rights issue queue

Higgs and Hill, the [redacted] construction company to announce a rights issue, hopes to raise £24.8m ($44.1m). The move coincides with [redacted] release of its [redacted] which showed [redacted] fall [redacted] pre-tax profits of almost three-quarters. Cash from the [redacted] will be [redacted] expansion [redacted] Europe and [redacted] formed civil [redacted] water engineering business. Page 24

Chile thaws on debt swap rules

The difficulties encountered by two large companies in pulling out [redacted] Chile has prompted the Central Bank to relax the rules of its debt-equity conversion programme. The new rules spell the end of Chile's debt-conversion programme, which has retired $3.6bn of debt over the past six years. Leslie Crawford reports. Page 23

Great Southern down 9% as Britons keep fit

A 14 per cent decline in Britain's national mortality has hit the profits of Great Southern Group, the USM-quoted funeral director. Despite a rise in turnover from £22.1m ($39.3m) to £25.1m and an overall increase in market share, Great Southern's pre-tax profits dropped 9 per cent. Mr Eric Spencer, deputy chairman and chief executive, said that high interest rates and the depressed property market were continuing to affect profit and debt levels. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Leifheit	750	+	10
Mercedes	564	+	10
PWA	275	+	18
Porsche	918	+	16
Sud Chemie	[redacted]	+	15
Falls			
Springer Axel	710	–	10

NEW YORK ($)

[redacted]			
AMR	62⅞	+	1⅝
AT & T	35⅛	+	¾
Falls			
General Cinema	23¾	–	⅜
Harcourt Brace	[redacted]	–	⅝
Philip Morris	[redacted]½	–	⅛
Utd Tech	45¾	–	1⅜

PARIS (FFr)

Rises			
[redacted]	858	+	11
CCF	170	+	[redacted]
L'Oreal	555	+	12
[redacted]	272	+	10
UAP	585	+	16
Falls			
BIC	807	–	11

TOKYO (Yen)

Rises			
Aiwa	1850	+	160
Hokuetsu Pap	1070	+	105
Kinsho-Matai	870	+	93
Showa Mining	840	+	81
Taiyo Yuden	1090	+	101
Falls			
Mitsui Wharf	1120	–	110

New York prices at 12.30.

LONDON (Pence)

[redacted]			
ADT	88	+	[redacted]
Airtours	402	+	14
BAA	444	+	16
[redacted]	717	+	13
Bass	965	+	33
Booker	480	+	11
Caird	72	+	7
Copymore	38	+	5
Devenish (JA)	220	+	16
Fisons	481	+	11½
Hi-Tec	115	+	6
Ivory & Sime	123	+	8
MB-Caradon	234	+	12
Olives Hldgs	110	+	10
Radio City A	301	+	32
[redacted]	41	+	[redacted]
Falls			
Braithwaite	126	–	6
Sema	323	–	12
Sherwood Comp	131	–	6

Guarded: Bob Crandall

US airline loses $195.6m

by Nikki Tait in New York

AMERICAN AIRLINES, one of the two largest US carriers, yesterday kicked off a dismal quarterly reporting season for the US airline industry by announcing that it lost $195.6m in the first three months of the year.

The figures bear the full brunt of the traffic slump stemming from the Gulf War and the deepening domestic recession. Mr Bob Crandall, American's forthright chairman, also pointed to the uncertainty created by difficult labour negotiations, and to the loss of around 450 pilots called up to serve in the Gulf.

"The net effect was to make our first quarter uniquely unhappy," he said.

Wall Street, however, was braced for red ink, and American itself had already warned of a significant first-quarter loss. The loss per share of $2.96 was in line with analysts' expectations.

So, with Mr Crandall professing "guarded optimism" for the rest of the year, the shares of AMR, the parent company, gained $1¼ at $61¾.

American's hefty first-quarter loss compares with a $19.3m deficit in the first three months of 1990, and a $215.1m deficit in the October-December quarter. The first quarter of any year is traditionally a weak period for the airline industry, although in 1989 and 1988 American did make significant profits.

AMR's revenues during the first quarter of 1991 rose from $2.69bn to $2.77bn, but there was a significantly sharper increase in operating costs, up 11.6 per cent at $3.01bn. Labour costs rose 12.3 per cent, while fuel expenses were 11.1 per cent higher at $476.4m.

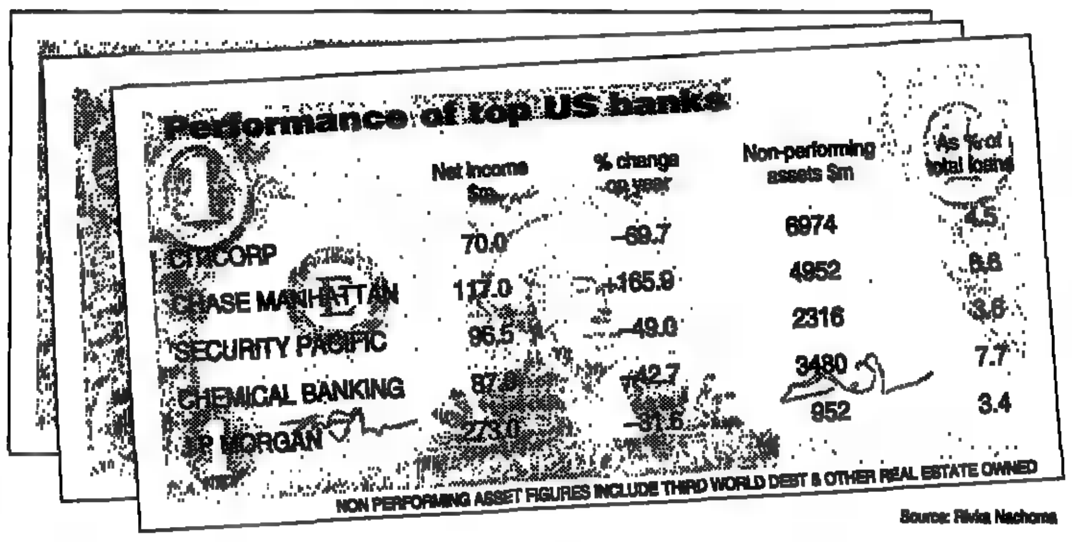
Capacity, in terms of available seat miles, increased 2.5 per cent year-on-year, but the passenger load factor fell from 59.9 per cent to 56.5 per cent. American said that the break-even load factor for the first quarter was 63.5 per cent, up from 60.6 per cent.

However, Mr Crandall struck a brighter note over future prospects. "Fuel prices have declined," he noted, "and we anticipate lower costs for the remainder of the year." Sales, he added, had been picking up recently and he suggested that there was "some evidence" that the economy was strengthening.

A wary optimism is taking hold at hard-hit US financial institutions

Banking on a change in the climate

Bernard Simon reports on how US banks [redacted] coping in lean times



Source: Rivka Nachoma

The [redacted] US banks are slowly – though not yet very surely – moving away from the storm which only a few months ago threatened [redacted] engulf some of them.

While earnings of most of the banks [redacted] slide in the first quarter, largely due [redacted] big [redacted] in loan [redacted] and bad-debt provisions, the [redacted] published over the past week or [redacted] contain a few glimmers of light.

Lower interest rates have pushed down funding [redacted] ing the way for wider [redacted] margins. [redacted] which [redacted] 70 per cent plunge in earnings, has seen [redacted] interest margin rise from 3.49 per [redacted] in [redacted] third quarter of last year, to 3.5 per cent in the fourth and 3.67 per cent in the last three months.

At the same time, capital ratios are generally improving and operating expenses are under better control than they have been for some time. Job [redacted] consolidation of operations and [redacted] of unprofitable businesses have become the order of the day in the US banking industry.

Concern about the banks is now centred more than ever on the quality of their assets. Non-performing loans and loan losses continue to spiral, reflecting worries about the global economy in general and the US property market in particular.

Noting that city centre office vacancy rates are now double what they were in the early 1980s, Chase Manhattan chairman Mr Tom Labrecque warned shareholders at the bank's annual meeting earlier this week that the property headache was likely to persist for between three to eight years, depending on the location.

Mr Labrecque, said that Chase was not counting on any improvement in the market for the remainder of 1991. The bank has seen its non-accrual commercial property portfolio – those loans which are far in arrears – balloon from $884m to $2.1bn in the past year.

The banks with the largest property portfolios, especially those with a heavy exposure to undeveloped land, thus remain the most vulnerable. Atlanta-based CAS/Sovran, for instance, [redacted] seen its ratio of non-perform[redacted] assets to total loans [redacted] past year from 1.15 per cent to 3.25 per cent. The sharp rise is largely due to its heavy commitment to land and other property in the Washington DC area. The bank's first-quarter net income of $30.8m was less than a third of the figure a year ago.

None the less, there is a bright side to the banks' swelling bad-debt portfolios. The first-quarter results contained few unpleasant surprises, which is a change from recent experience. In some cases, such as Chase Manhattan, where net write-offs in the latest quarter fell slightly on the previous three months, there were even some morsels of good news.

Ms Helen Rowan, vice-president for finance and investor relations at the Florida-based Barnett Banks, predicts that the momentum of increase in non-performing loans will start to slow over the next few quarters. "We're probably not far from the peak," she says.

This wary optimism is reflected in the lusty performance by US bank stocks over the past few months, as well as a willingness among investors to inject sizeable amounts of new capital into the industry.

Citicorp's share price has zoomed up by more than 50 per cent since last October, and continued rising this week to $16¼, even after its announcement of a 70 per cent plunge in first-quarter earnings. NCNB, the North Carolina-based bank, has seen its share price more than double from last year's low of $16⅞.

Citicorp, Security Pacific and, most recently, Bank of Boston and Chase Manhattan are among [redacted] institutions which have tapped outside investors for new capital since the beginning of the year, mostly in the form of preferred share offers.

The investors are demanding their pound of flesh, however, in the form of high yields. Barnett Banks offered a relatively generous yield of 9 [redacted] on [redacted] $100m cumula[redacted]vertible preferred share issue last month.

Targets set by the Bank for International Settlements require banks to have Tier 1 capital – equity and retained earnings – equal to 4 per cent of assets and total capital equal to 8 per cent of assets by the end of 1992.

Most of the big banks are likely to meet those goals [redacted] a combination of new [redacted] issues, retained earnings and shrinking assets. But regulators are firmly telling some of them that the BIS guidelines are only the minimum, and not necessarily the desirable, ratios.

"There's a lot of behind-the-scenes prodding going on," says Ms Cheryl Swaim, banking analyst at Oppenheimer [redacted] Co in New York.

Observers see it as no accident that JP Morgan, one of the most strongly capitalised banks with a total capital ratio of 10.3 per cent, was among the first to be allowed into the securities business. Conversely, a much weaker Florida bank withdrew a planned acquisition of a local savings and loan institution late [redacted] year, apparently under pressure from the regulators who would have had to approve the deal.

The move to toughen capital requirements is not universally welcomed, however. Mr Robert Smith, chairman of Los [redacted] based Security Pacific, [redacted] his group's annual mee[redacted] week that the largest US banks have roughly doubled their capital ratios in the past decade. They have also set aside reserves covering two-thirds of all non-performing assets.

The problem, Mr Smith observed, is that "if our leverage is reduced, our profitability is reduced. And our profitability determines the costs and availability of additional capital. It becomes [redacted] vicious circle, and the short-term solutions being applied now will not work in the long-term interests of the industry, its customers or the nation".

Parretti ousted [redacted] chairman of Pathe

By Karen Zagor in New York

MR GIANCARLO Parretti, the controversial Italian financier, has been ousted [redacted] chairman and chief [redacted] of Pathe Communications.

He has been replaced by Mr Cesare De Michelis, a profes[redacted] of letters at the University of Padua in Italy and the younger brother of Italy's foreign minister, Mr Gianni De Michelis.

Mr Parretti will remain [redacted] majority shareholder of Pathe and will keep [redacted] on [redacted] board.

Hollywood has been buzzing with rumours about financial malaise at the film studio, MGM-Pathe, almost from [redacted] moment MGM was acquired for $1.3bn last year by Mr Parretti's Pathe Communications.

MGM-Pathe [redacted] facing an involuntary Chapter 7 bankruptcy petition from [redacted] creditors who claim they are owed more than $11m.

MGM-Pathe said [redacted] main lender, Credit Lyonnais of France, has agreed to provide $145m in additional loans if the involuntary bankruptcy filing is dismissed.

The studio said it planned to file a motion to dismiss the petition within days.

Credit Lyonnais declined to comment on the announcement, but sources close to the creditors voiced scepticism about the existence of the financing.

It is believed that the creditors would drop their bankruptcy petition if MGM-Pathe paid them in full.

Earlier this week, MGM-Pathe and its parent company, Pathe Communications, said they would post significant losses for 1990.

The studio is so strapped for cash that it had to delay the release of a major new film, Delirious, because it could not fund the $7m promotional budget. MGM-Pathe said a release date for the film would be announced shortly.

Credit Lyonnais has been an important backer for Mr Parretti and his Geneva-based partner, Mr Florio Fiorini, for several years.

The bank originally helped the partners to acquire Cannon Pictures in 1987 and Pathe Communications in 1988.

In addition to Mr Parretti's departure from the helm of Pathe Communications, Mr Alan Ladd has been named chairman and chief executive of MGM-Pathe. Mr Ladd, son of the Hollywood actor, Alan Ladd, was previously co-chairman of Pathe along with Mr Parretti.

NatWest to inject $150m into troubled US subsidiary

By Bernard Simon in [redacted] York

NATIONAL WESTMINSTER Bank, the UK bank group, has injected $150m in fresh capital into its troubled US subsidiary to cover mounting losses caused by the [redacted] and a heavy [redacted] sure [redacted] the [redacted] New York property market.

New [redacted] National Westminster Bancorp, which is wholly owned by the British bank, yesterday reported a $190.9m loss in the first quarter, and disclosed that almost 10 per cent of its total loan portfolio was non-performing. Its loan-loss provisions have soared to $221.9m, from $55.9m a year earlier.

The latest setback follows losses totalling $488m in 1989 and 1990. The British parent contributed $200m in new capital last [redacted].

Mr John Tugwell, who took over less than a week ago [redacted] chief executive of NatWest Bancorp, said that the first-quarter performance was "clearly unacceptable". He cautioned that "until the economy improves, it would be an imprudent banker who says that the end (of the [redacted]s) are nigh."

But the British bank [redacted] affirmed continuing support for NatWest Bancorp. Mr Tugwell, who was previously in charge [redacted] NatWest's international division and still sits on the main board in London, said that "we have the basis of a good business here, and are looking forward to the day when the economy turns around and the problems are behind us."

Mr Tugwell replaced Mr Bill Knowles, who resigned last month. Several other changes have taken place in the senior management ranks, including the appointment of a new senior vice-president for credit policy.

NatWest Bancorp, with assets of $22.5bn, has 260 offices in New York and New Jersey, where it serves mainly the retail market and mid-sized businesses with annual revenues below $250m.

It entered the US market in 1979 with the acquisition of the former National Bank of North America.

Maxwell launches MGN float

By Clare Pearson in London

MR ROBERT Maxwell yesterday launched a lavish marketing campaign for the upcoming flotation of Mirror Group Newspapers of which he is chairman.

Mr Maxwell, speaking amid flashing cameras at a packed press presentation in MGN's Holborn headquarters, declared he was offering the chance to invest in a "great company".

The press conference was called for the publication of the so-called Pathfinder Prospectus – the final one, but without the pricing details – which will form the basis on which shares are marketed to institutions.

The sale will involve just under 50 per cent of the equity and aims to raise about £250m ($445m). To maximise demand, the shares are to be spread thinly between institutions in the UK, North America and continental Europe, and private investors.

The prospectus shows that MGN's profits have consistently risen over the past three years as it has reaped the benefits of investments in new equipment and extensive reorganisations. These, Mr Maxwell said, were now largely complete.

Pre-tax profits improved from £31.9m to £53.3m during the year to end-December 1990, on sales up from £412.3m to £445m. The operating margin improved from 15.8 to 19.8 per cent.

The group comprises the Daily Mirror, the Sunday Mirror and The People and the Scottish papers, the Daily Record and the Sunday Mail. It also has two specialist racing papers and two free papers in Scotland.

The document shows that group debt before flotation proceeds amounts to about £400m. In addition, MGN has about £180m of obligations under finance leases.

Pre-tax profits benefit from an £3.5m (£7.8m) pension credit arising from a surplus [redacted] MGN's scheme.

Mr Maxwell stressed yesterday that against an adverse trading profit MGN had improved operating profits in the first quarter of this year.

At more than £500m, the expected flotation value of MGN compares with the £113m purchase price paid to Reed International in 1984.

MGN will now be taking soundings with institutional investors before deciding the flotation issue price, to be announced on April 30.

After that private investors, who will be required to put up at least around £250, will have until May 9 to return application forms. The basis of allocation is to be announced on May 14 prior to commencement of stock market dealings, scheduled for May 21.

Samuel Montagu is financial adviser to the sale and Smith New Court stock broker. Salomon Brothers International is handling the international side.

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Solvay lifts dividend as income slips

By David Buchan in Brussels

SOLVAY, the Belgian chemical group, yesterday announced a 5 per cent dip in net profits to BFr15.9bn ($463.5m) for 1990, but a BFr30 a share increase in its dividend to BFr500.

Baron Daniel Janssen, [illegible]tive chairman, said Solvay was bucking the trend among European chemical companies, which have tended to maintain or lower their dividends due to retained profits. It was insulated from the cyclical downturn for most of its products.

Turnover was virtually unchanged, with 1990 sales amounting [illegible] BFr255bn. Mr Janssen blamed cheap PVC imports from eastern Europe, which was only just learning about market methods, and from the US, together with the difficulty of recouping the increased [illegible] of ethylene inputs and austerity measures in Brazil, for the [illegible] performance of the group's plastics division.

The group's largest product group remains alkalis, including chemical soda ash, of which Solvay is the world's largest producer. Mr Janssen said the EC's action last autumn [illegible] removing anti-dumping duties from imports of American soda ash, which is found naturally in Wyoming, would undoubtedly [illegible] competition from the US.

Mr [illegible], who summed [illegible] the company's philosophy as "don't do much, but [illegible] well," said expansion would be focused on pharmaceutical and health products, which had been Solvay's best performer last year. In the veterinary field, he cited a recent strategic alliance with Abbott Laboratories of the US. In terms of geographical diversification, Solvay is focusing on the US, Asia and [illegible]tral Europe.

Solvay is negotiating [illegible] the Treuhandanstalt, the [illegible] responsible for privatising eastern Germany's industry, for the [illegible]turn of its Bernberg [illegible] seized by the Nazis in [illegible].

Yesterday it [illegible] that [illegible] had, together with Wienerberger of Austria, acquired the polyethylene pipes division of Orbitaplast, near Leipzig in [illegible] Germany.

Hafnia tumbles to DKr1.39bn deficit

By Hilary Barnes in Copenhagen

FALLING security values last year sent Hafnia Holding, which heads the big Danish insurance and financial services sector, into a loss of DKr1.39bn ($217m) compared with profits of DKr1.52bn in 1989.

Mr Per Villum Hansen, chief executive, said that by the middle of this month most of last year's unrealised losses on securities had been recouped as the markets recovered.

"We are fairly optimistic because Hafnia's underlying business continues to make good progress," he said.

As from 1989, gains and losses on securities must be taken in the profit and loss account, not the balance sheet, which has contributed to see-sawing profit and loss figures in the Danish insurance groups.

Hafnia's current battle to gain control of its domestic rival Baltica also contributed [illegible] the profits turnround. The group acquired 33.7 per cent in Baltica Holding and 12 per cent in Baltica Insurance [illegible]ing the year-long battle. The cost of financing this DKr4.53bn investment was the principal factor in an increase of DKr350m in financial [illegible].

The losses on [illegible] reduced equity capital [illegible] DKr5.3bn from DKr6.3bn [illegible] the end of 1989. Earnings per share slumped from DKr162 to a negative DKr154 and book value per share from DKr663 to DKr476.

Premium income in the insurance business [illegible] from DKr5.70bn to DKr6.98bn, reflecting primarily the acquisition of the UK's Prolific Group and Denmark's Forenede [illegible] in the autumn of 1989.

In a statement to the stock exchange the group said the results in the current year will depend to a large extent on developments in the bond and share markets and it [illegible] therefore too soon to make a forecast, but group profits on ordinary business [illegible] are expected to exceed [illegible] 1990 figure.

An unchanged DKr10 per share dividend was proposed.

Profits plunge to Fl 2.6m at Internatio-Mueller

By Ronald van de Krol in Amsterdam

NET PROFITS [illegible] Internatio-Muëller, [illegible] diversified Dutch transport, trading and engineering group, plummeted to Fl 2.6m ($1.38m) in 1990 from Fl 56.1m in 1989, reflecting setbacks in Australia, New Zealand and the port of Rotterdam.

The company, which cautioned in December that it would produce a "small" net profit in 1990, is to omit the cash dividend, which in 1989 totalled Fl 3.60.

Shareholders will receive a tax-free payout in shares of 2 per cent.

Turnover rose by 7.4 per cent to Fl 2.9bn, while pre-tax operating profit tumbled to Fl 17.2m from Fl 60.2m.

● Nationale-Nederlanden, the biggest insurance company in the Netherlands, said that losses at Orion, its UK subsidiary, were expected to narrow by roughly one third in 1991, falling to around £30m ($53.7m) from £48.8m in 1990.

Major losses at Orion, which had posted a profit of £6.3m in 1989, were one of three main [illegible] behind the 7 per cent decline in Nat-Ned's 1990 net profit to Fl 905m ($479m).

Nat-Ned's results [illegible] affected by two severe winter storms which lashed northwestern Europe in January and February 1990 and by the losses posted by its non-life insurance activities in North America.

Mr Jaap van Rijn, Nat-Ned's chairman, said the North American non-life insurance market was still in the down phase of the current business cycle but should improve in 1992.

He repeated earlier statements [illegible] that it [illegible] impossible to predict 1991 results because of the uncertainties the company [illegible] on various fronts.

Finnish forest profits fall by 60%

By Enrique Tessieri in Helsinki

THE COMBINED pre-tax profit of Finland's publicly quoted forest groups fell by over 60 per [illegible] in 1990 when compared with the previous year, according to the Central Association of Finnish Forest Industries (CAFFI).

Mr Heikki Pärnänen, a CAFFI vice-president, blamed the poor result of the country's forest groups on high labour and production costs.

He said that the industry's debt level was also a big strain. "The net debt of all Finnish forest companies amounts to around 60 per cent of their turnover; 6 to 7 per cent of their turnover goes to only paying the interests on the loans," he added.

Mr Pärnänen says it may [illegible] two years before the situation improves. "This year will be even worse than 1990. The operating margin of all Finnish forest companies is expected to drop from [illegible] per [illegible] turnover to under 10 per cent this year," he said, adding that export earnings may also fall 10 per cent in 1991.

The sector employs between 70,000 and 75,000 people. Of these, 6,500 have already lost their jobs with another [illegible] working a [illegible] week. By [illegible] 1991, however, Mr Pärnänen estimates the number of unemployed will drop to 10,000-15,000.

About 40 per cent of Finland's FM101.33bn export earnings last year came from its forest industry.

GPA warns on profits growth

By Paul Betts in London [illegible] Cooke in [illegible]

GUINNESS Peat Aviation (GPA), the world's largest aircraft leasing company, warned yesterday that it would show a modest growth in profits compared with the previous year, despite a 66 per cent rise in lease revenues.

Mr Maurice Foley, [illegible] president, said [illegible] company's rate of profits growth had slowed significantly. "U[illegible] there is a remarkable last quar[illegible], our profit this year will be relatively modest," he added.

He also said it was unlikely, although not impossible, that the [illegible]ny would be floated on the stock market this year. Mr Foley suggested that a flotation was more probable next year.

Although the company will not release its results for the latest 12 months until June, it decided to [illegible]ounce its aircraft lease revenue figures for the year ended March 31, 1991 in an effort [illegible] bolster [illegible]dence in its business prospects.

Mr James King, head of the company's aircraft leasing division, conceded that the past year had been particularly difficult for the airline industry. The sector is estimated to have lost about $4bn in the past six months because of the combination of the Gulf crisis, higher fuel [illegible] and the general economic slowdown.

But he argued that some City forecasts were excessively pessimistic. Mr Tony Ryan, GPA's chairman, also added: "There has been an over-reaction to the short-term factors which have adversely affected many airlines in recent months. As a result, some commentators' perceptions of the future pr[illegible] of the civil aviation sector have been unduly gloomy."

Contracted lease revenues rose 66 per cent to $8.3bn from $5bn. GPA said it sold or leased 176 aircraft to its airline customers, a 17 per cent increase over the year before. It also sold a further 40 aircraft to investors on whose behalf it continues to manage the related aircraft leases.

At the end of the la[illegible] financial year, the company owned or leased-in 306 aircraft compared with 240 during the previous 12 months. GPA took delivery of 82 new aircraft in the last year, all of which it said had been placed with customers.

After-tax profits of the Shannon-based group showed a 9 per cent rise to $196m for the nine months to December 31 against the previous year.

db Leben signs up DM4bn in first year

By Katharine Campbell in Frankfurt

THE LIFE insurance subsidiary of Deutsche Bank, db Leben, signed up DM4bn ($2.4bn) of new business in its first full year of operation, incurring a loss of DM14.9m in the process.

The new venture, started in September 1989, completed [illegible] contracts, and collected gross premium income amounting to DM143.5m during 1990.

By the end of March this year, the value of principal sums assured reached DM6.1bn on a total of 106,000 contracts.

New business across the sector in Germany [illegible] amounted to DM282bn, giving Deutsche no more than a 1.4 per cent share of the market. However, db Leben pointed out that it was offering only a very restricted range of products – with the aim of broadening its selection this year.

New lines will play heavily on classical [illegible] products – [illegible] including life products linked to credit packages and to investment products.

In the latter area, db Leben is keen to play on the fiscal advantage, where it can offer a yield of [illegible] per cent free of tax.

[illegible]utsche's decision to [illegible] independently [illegible] the [illegible] world caused a furore at the time from the biggest established insurers, one of which suggested that such a venture would take 10 years to turn a profit.

db Leben maintains it will be [illegible] the [illegible] "considerably [illegible]".

It says its network of 1,400 domestic branches has made a decisive contribution to reaching new customers. This year's loss is covered [illegible] a special fund set up by Deutsche Bank to meet start-up costs.

Trelleborg buys US tyre unit

By Robert Taylor in Stockholm

TRELLEBORG, the Swedish mining and industrial conglomerate, has acquired the tyre division of Monarch, the North American rubber manufacturer owned by the Teledyne group, for an undisclosed price. As a result Trelleborg claims it is the world's biggest maker of solid industrial tyres.

The company estimates that its sales of industrial solid tyres will reach $60m, 20 per cent of the world market, as a result of the acquisition.

Monarch is one of North America's leading solid industrial tyre makers with annual net sales of around $30m. Mr Sven-Gunnar Schough, president of Trelleborg Tyres, said yesterday that the purchase of Monarch would strengthen the company's position in that [illegible] about 30 per cent of the industrial tyre industry.

The new purchase, which covers Monarch's production facilities at Hartville, Ohio, will be added to the company's existing industrial tyre plants in Belgium, through its subsidiary Bergougnan, and in Sri Lanka.

Mr Schough stressed yesterday that Monarch, like Bergougnan, would be able to act independently in the market and continue to have its own marketing operation. He believed there would be synergy effects in certain areas of product development and co-ordination.

Billiton incurs 35% fall as aluminium prices slide

By Kenneth Gooding, Mining Correspondent

BILLITON, which [illegible] most of the mining and metals operations of the Royal Dutch/Shell group, suffered a 35 per cent fall in net income last year, to $170m from $262m in 1989.

[illegible] group said lower alumina and aluminium prices had a significant impact on the 1990 results. At the operating level aluminium profits fell by 65 per cent to $73m.

Downstream operating profits fell by 80 per cent to $17m, reflecting prolonged start-up difficulties at Tiofine in the Netherlands and the impact of lower prices, reduced margins and stock write-downs at [illegible] other operations.

Marketing and trading operating profits fell by 60 per cent to $26m, mainly because of reduced profits from Billiton [illegible] Trading and copper [illegible] options losses [illegible] Billiton-Enthoven Metals.

In contrast, exploration and mining [illegible] rose by 38 per cent to $90m.

Cerro [illegible] in Colombia contributed $52m because of strong [illegible] prices [illegible] masked reduced [illegible] most other operations as well as the start-up losses at new gold mines in Ghana (Bogosu) and Indonesia (Lerokis).

Matra in deal with Alenia

MATRA, [illegible] French defence and electronics [illegible] has formed a co-operation [illegible] with [illegible] missiles and [illegible] arm of Alenia, the newly formed Italian state-owned aerospace company, writes William Dawkins in Paris.

The pair have agreed to co-ordinate research and development [illegible]-to-air missiles, so [illegible] to respond [illegible] to [illegible] needs of their own and other countries' air forces. [illegible] aim is to avoid duplication, [illegible] costs and seek wider markets than would be possible acting alone.

Matra [illegible] the group involved in the deal, sold FFr1.4bn [illegible] of air-to-air missiles last year, out of the division's FFr6bn turnover.

INTERNATIONAL COMPANIES AND FINANCE

Itoman in move to seize assets of debtor

By Stefan Wagstyl in Tokyo

ITOMAN, the debt-ridden Japanese trading company, has started legal moves to seize the assets of one of its biggest debtors, Mr Ho Yong Chung, a Korean businessman.

The company's action yesterday forced the closure of Kansai Shimbun, a newspaper which is one of Mr Ho's main operating companies.

Itoman's action followed Kansai Shimbun's failure to meet deadlines for the repayment of Y62.5bn ($463m) it borrowed from Itoman last year to finance speculative investment in art. The paintings which were handed over to Itoman as security for the loan have been found to be worth considerably less than was originally claimed.

The Osaka District Public Prosecutor's Office is investigating the deal and other aspects of the relationship between Mr Ho and Itoman. Mr Ho was until early this year Itoman's largest shareholder with a 19 per cent stake and great influence over Mr Yoshihiko Kawamura, the Itoman president.

Hewlett-Packard in Indian venture

By David Housego in New Delhi

HINDUSTAN Computers (HCL), India's largest computer group, and Hewlett Packard, the large US group, have established a joint venture intended to increase their share of the Indian mini and micro-computer market. Hewlett-Packard is paying $23m for a 26 per cent stake in the venture which will cover HCL's computer and computer aided design and manufacturing divisions.

Hewlett-Packard's investment is more than all US investment in India over the past year – a clear indication of the way foreign investment in the sub-continent has tailed-off.

HCL currently has 21 per cent of the Indian micro-computer market and 29 per cent of the mini-computer market.

Queues form for Japanese ships

Domestic buyers are having to look abroad, writes Robert Thomson

Nippon Yusen, the flag carrier of Japan's shipping lines, has always bought its ships from domestic companies. But the long queue of buyers at Japanese yards has just forced even the patriotic Nippon Yusen to turn to Taiwan for a new bulk carrier.

"We haven't bought a ship from outside Japan since the end of the Second World War. This is quite a historic thing. We would have to to wait three years in Japan so we chose Taiwan. Anyway, it's cheaper there, about 10 per cent cheaper," a Nippon Yusen spokesman said.

Shipbuilding companies now complain that the biggest problem is not a lack of orders, but a shortage of staff, and they are known to be routinely turning down orders in the confident expectation that ship prices, up 17.9 per cent in the year to end March, will continue to rise.

At the NKK Corporation yard at Tsu on the central coast, the order books are full until April 1994, and Mr Heiichiro Miyazaki, the company's managing director, suggested that increasing demand is likely to mean supply shortages and strong prices in the second half of the decade.

Having experienced [illegible] slump in the mid-1980s, the shipbuilders are determined [illegible] price-cutting and [illegible] examples of "excessive competition" will not interfere with their long-term profit plans.

A spokesman for Mitsubishi Heavy Industries (MHI) said that production facilities will not be increased, even though

Shipbuilders turn down orders expecting prices to rise

[illegible] company [illegible] orders, and Ishikawajima-Harima Heavy [illegible] (IHI), with [illegible] facilities booked until 1993, said that it built 10 ships last year, will build 10 ships this year, and plans to build 10 ships in financial 1992.

"We don't have plans to increase our capacity, mainly because we have problems finding workers. The other problem is that the low level of profits we are now getting does not justify the level of capital investment needed to increase capacity," an IHI spokesman said.

Sumitomo Heavy Industries predicts a 40 per cent increase in pre-tax profit for the year to March 1991, and Kawasaki Heavy Industries, [illegible] reported a [illegible] 1988, [illegible] per cent profit [illegible] year. [illegible] Engineering and Shipbuilding, which [illegible] in 1987 [illegible] 1988, is likely to announce a Y4bn ($29m) pre-tax profit, about 5 per cent up on 1989.

While the labour shortage is a serious problem – Japan's jobs to applicants ratio is 1.46:1 – an automation drive has reduced the number of manual working hours by about 70 per cent since 1973. As well, the companies and the transport ministry are co-ordinating a campaign to improve the image of shipbuilding to attract young workers.

The ministry is contributing to the image renovation campaign by sponsoring the development of a futuristic cargo vessel, while it is presumed that diversification into areas such as aerospace will help to change the public's general impression of the heavy industrial companies.

Japanese shipbuilders are generally relieved that the era [illegible] competition [illegible] South Korea is over. One company official said that there is now pricing "harmony" among the world's two largest shipbuilding nations, which have close to 75 per cent of the market – Japanese companies estimate that they have about 48 per cent and South Korean firms about 25 per cent.

While Japanese companies insist that supply has been limited by a 24 per cent cut in capacity [illegible] by the transport ministry, modernisation [illegible] has [illegible] yards to build more ships [illegible] dock. About 80 per cent of the building is now done outside the dock itself, giving companies the potential to increase capacity, if such an increase was thought to be in the companies' best interests.

It is clear that Japanese builders are not planning such an increase, as it would conflict with the general perception in the market of limited supply and with hopes for a steady increase in prices over the next few years. As prices increase, shipbuilding will become a more important revenue source for the diversification-minded heavy industrials.

MHI said that shipbuilding [illegible] for [illegible] 9 [illegible] sales, [illegible] plants, [illegible] craft [illegible] other [illegible] equipment now more important sources of incomes. But shipbuilding still accounts for about 36 per cent of sales at Hitachi Zosen. This company expects pre-tax profits to more than double to Y5bn in the year to March 1991.

Hong Kong reserves fund takes stake in HIT

By John Elliott in Hong Kong

A SPECIAL [illegible] up by China and Britain to provide [illegible] for Hong Kong when it returns [illegible] Chinese sovereignty in 1997 has bought a 6 per cent stake costing about HK$800m (US$102m) in Hongkong International Terminals, the colony's [illegible] terminal operator, from Hutch[illegible] Whampoa, which is controlled by Mr Li Ka-shing.

Hutchison retains a controlling 60.5 per cent stake in HIT which last month linked [illegible] with its main local rival, Modern Terminals, to develop Hong Kong's container terminal number eight at a cost of about HK$7bn.

The deal is significant [illegible] the [illegible] – [illegible] the Hong Kong SAR Land Fund – is basically [illegible] run organisation. Peking-controlled China Resources already has a 10 per cent stake in HIT and another Peking company, China Ocean Shipping Corporation, is involved with HIT.

This illustrates [illegible] China is increasing its investments in Hong Kong's leading infrastructure projects, despite its current opposition to detailed plans for the colony's proposed HK$100bn airport.

The SAR Land Fund – SAR stands for Special Administrative Region which will be Hong Kong's status after the 1997 handover – was set up in 1986. It receives a 50 per cent share of the proceeds from government land sales.

South African gold mines reveal falling profits

By Philip Gawith in Johannesburg

THE March gold quarterly results released this week by four of South Africa's mining houses testify to the extremely difficult times the industry is experiencing.

Mines in the Gencor and Rand Mines groups were particularly badly hit. Gengold, the gold arm of the Gencor group, saw after-tax profits fall 33 per cent to R63.6m in the three months ended December 1990.

A one-off retrenchment payment at Harmony mine pushed the Rand Mines group's gold operations into an after-tax loss of R30.4m ($11.19m), against an R11.2m loss last time.

Gengold admits that with the group having reached the limit of cost-cutting measures, it is now virtually beyond management's ability to do anything about the declining trend in profits. Gold production fell by 3.5 per cent.

The one-off payment at Rand Mines' Harmony was for 6,000 redundancies. The group's [illegible] Deep mine continued to recover though, [illegible] R2.7m after tax. Harmony would [illegible] broken [illegible] for extraordinary expenses.

Randfontein [illegible] areas, two of the mines managed by Johannesburg Consolidated, suffered from unexpected production disruptions during the quarter.

Randfontein made a profit of R31.1m, against R32.5m, but Western Areas saw profits drop by 29 per cent to R6.6m following power supply problems. The developing mine Joel continued to show improved development grades.

The four mines managed by the Anglovaal group maintained profits at R39m, due mainly to a decreased tax charge at Hartebeestfontein, the group's leading mine which made a profit of R29.8m. The marginal producer Loraine made a loss of R5.2m despite stringent measures aimed at cutting costs.

Drug groups book higher earnings

By Karen Zagor in New York

THE strength of the worldwide [redacted] industry was reflected in the the first-quarter results [redacted] Bristol-Myers Squibb and Warner Lambert which both yesterday reported higher earnings and sales. The [redacted] were helped by improved drugs [redacted] and the weakness of the dollar overseas.

Bristol-Myers Squibb, [redacted] world's [redacted] drugs [redacted] which [redacted] after an $11.5bn merger in [redacted] turned in [redacted] 20 per cent improvement in first-quarter net earnings on an 11 per cent improvement in [redacted]

In the three months ended March, the [redacted] had [redacted] profits [redacted] $492.6m or 94 cents a share on sales of $2.73bn, compared with income of $409.1m or 78 cents on sales of $2.46bn a year earlier.

[redacted] were helped by favour[redacted] foreign exchange translations, which contributed two percentage points [redacted] the improvement in the 1991 quarter. Earnings before taxes [redacted] per cent to [redacted] from [redacted]

Mr Richard Gelb, chairman and chief [redacted] said international [redacted] in the 1991 quarter [redacted] 14 per cent, compared [redacted] per cent improvement in [redacted] sales. Sales [redacted] pharmaceuticals and medical [redacted] particularly strong.

Warner-Lambert, [redacted] US pharmaceuticals and non-prescription health products [redacted] also reported [redacted] first-quarter earnings.

Net income grew 16 per [redacted] to [redacted] a share from $100.3m or [redacted] share [redacted] quarter [redacted] 11 [redacted] $1.22bn from $1.1bn. [redacted] the benefits of foreign exchange translations, sales [redacted] per [redacted] in [redacted] latest quarter.

During the 1991 first quarter, [redacted] Warner-Lambert's [redacted]scription pharmaceuticals went ahead by 17 per [redacted] $421m, led by Lopid, [redacted]terol regulator, [redacted] 45 [redacted] $111m in the quarter.

Sales of the company's non-prescription health care products rose 8 per cent to $382m in the latest quarter, led by Listerine antiseptic mouthwash and Halls cough tablets.

Worldwide sales of gums and mints improved 3 per cent in the three months to $257m.

Warner-Lambert is waiting for the Food & Drug Administration to approve its Cognex drug to treat Alzheimer's disease. If the approval is forthcoming, analysts believe Cognex will make a substantial contribution to Warner-Lambert's earnings in the 1990s.

The company recently submitted additional data on Cognex and new analysis of clinical data to the FDA.

Pentagon cuts depress General Dynamics

By Bernard Simon in New York

GENERAL Dynamics, the US defence contractor which is trimming its sails to adjust to lower military spending, suffered a small drop in earnings from continuing operations in [redacted] first quarter.

[redacted] earnings tumbled [redacted] $57m, or $1.37 [redacted] share, from $124m, [redacted] a share, [redacted] earlier. Last year's figures however, included [redacted] large gain from [redacted] settlement of [redacted] anti-trust suit against AT&T and other telephone companies.

Earnings from continuing operations were $63m in the [redacted] quarter of 1990. [redacted] dipped [redacted] $2.8bn from almost [redacted]bn, and [redacted] plunged to $22.7bn from $27.7bn. In both [redacted] the drop was blamed on [redacted] Pentagon's decision to [redacted] the A-12 attack aircraft [redacted]

[redacted] Dynamics took [redacted] large [redacted] on [redacted] A-12 [redacted] uncertain outcome [redacted] legal claims [redacted] against the [redacted]ernment.

Mr William Anders, [redacted] executive, [redacted] the earnings "are right [redacted] line with our plan". Mr [redacted] emphasis on cash flow, which has resulted in a far-reaching austerity drive to maintain margins in a declining market.

General Dynamics cut [redacted] workforce to 90,900 from 98,100 during the first quarter, and is chopping capital spending this year by 46 per cent. The research and development budget has been trimmed by 18 per cent in the past year to an annual rate of about $300m.

[redacted] busi[redacted] slips, the [redacted] working hard [redacted] expand its penetration [redacted] interna[redacted]

● Thiokol, [redacted] defence and space contractor, posted a small increase in net income in the March quarter to $11.6m (60 cents a share) from $10.5m (54 cents) a [redacted] earlier. Sales climbed by 7.8 per cent to [redacted]

A 25 per cent tumble in operating income from space business was offset by a strong performance in some military sectors and higher [redacted]

Microsoft beats forecasts to achieve record $124m

By Louise Kehoe

MICROSOFT, the leading personal computer [redacted] publisher, reported record revenues and profits for its third fiscal quarter, exceeding [redacted]lysts expectations.

Third-quarter [redacted] was $123.8m, or [redacted] per share, an increase of 65 per [redacted] 62 [redacted] in [redacted] corresponding period [redacted] year [redacted]

Revenues for the quarter jumped [redacted] per [redacted] $486.9m from $310.9m in the same period last year.

[redacted] income for [redacted] nine months rose 63 per cent to [redacted] or $2.61 per share, from [redacted] or $1.69, a [redacted] ago.

Revenues for the nine months ended March 31, 1991, period were $1.3bn, [redacted] more than the $846.5m recorded for the same period of fiscal 1990.

Microsoft's performance is remarkable in light of slowing sales growth in the personal computer market, particularly in the US.

The company said it achieved record revenues from both its retail sales of applications programs and from sales of operating system software through computer manufacturers.

Apple to widen lawsuit over Windows program

By Louise Kehoe

MICROSOFT, the personal computer [redacted] publisher, [redacted] Apple Computer [redacted] its legal [redacted] to include claims [redacted] Windo[redacted] 3.0 program infringes upon Apple copyrights.

[redacted] 3.0, [redacted]sion of a [redacted] program which gives IBM-compatible computers [redacted] similar to those of Apple Computer's Macintosh, is one of Microsoft's most successful products. Close to 3m copies have been sold since it was introduced last May.

A spokesman for Apple said, however, that there had been no new filings in the case and Apple [redacted] made any formal changes [redacted] its complaint, which [redacted] Hewlett-Packard.

In its original suit, Apple claimed an earlier version of Windows "and all derivative works" infringed its copyrights. "We consider Windows [redacted] be a [redacted] work," Apple said.

At issue [redacted] Apple's [redacted] that computer screen graphics produced by Microsoft's Windows duplicate the screen images of its Macintosh personal computers.

[redacted] maintains it has not infringed any Apple copyrights.

US recession puts United Technologies sharply down

By Karen Zagor

THE impact [redacted] the [redacted] recession on the airline, building and automotive industries has severely hurt first-quarter earnings at United Technologies, the diversified engineering group, which turned in results significantly worse than expected.

Although it had warned that earnings in the first half of 1991 would decline, the first-quarter net earnings of $40.2m, or 25 cents a share, were sharply below the 75 cents anticipated by most analysts.

"I had expected a bad quarter and reduced my estimates to 50 cents a share," said one, "but these figures were terrible".

In the first three months of 1990, UTC had net earnings of $134.5m, or $1.01 a share. Revenues were flat at $4.8bn.

Mr Robert Daniell, chairman and chief executive, said harsh economic conditions had a severe impact on first-quarter performance. "Airline travel, building construction and automobile production; all are down sharply. This is the first time all three of these core commercial markets simultaneously have been at the bottom of their industrial cycles.

"We are not running our businesses on the assumption that the recession is nearing an end," he added.

Operating income in UTC's power segment plunged to $113m from $249m a year ago.

At UTC's Pratt & Whitney aero-engine business, which recently said it would cut between 1,000 and 1,500 jobs by the end of June, revenues from its lucrative spare parts business dropped 25 per cent in the first quarter. The company blamed this on sharply reduced airline travel and poor results at the airlines.

Profits from UTC's building systems dropped to $31m from $90m. Almost half of this was attributed to the Brazilian operations of UTC's Carrier air conditioning company where volumes fell sharply.

The industrial segment suffered a loss of $5m against profits of $15m a year earlier, which was blamed on the 18 per cent decline in North American car and light truck production in the quarter.

AT&T reaffirms intention to pursue NCR takeover

[redacted] Louise Kehoe in [redacted] Francisco

[redacted] Telephone [redacted] Telegraph reaffirmed [redacted]mination to acquire computer maker NCR at the AT&T annual meeting in Chicago yesterday.

Mr Robert Allen, AT&T chairman, said, however, that the $110 per share sought by NCR "is a price we're not willing to pay".

The proposed acquisition remains a key aspect of AT&T's strategy, Mr Allen said. "AT&T is firmly committed to a strategy for growth. Leadership in telecommunications is no longer enough." AT&T must expand its presence in the market for networked computers, Mr Allen said.

Networked computing has become "a driving [redacted] behind the worldwide exchange of information", he noted. "I want AT&T to be a part of that business. This acquisition would [redacted] us the leader in network computing."

This month AT&T succeeded in ousting four directors of NCR, the fifth-largest US computer manufacturer, including Mr Charles Exley, its chairman. AT&T had tried to win control of NCR's 12-member board of [redacted] as part [redacted] hostile takeover bid.

AT&T originally offered to buy NCR for $90 per share but NCR responded with a request for [redacted] NCR dropped its request to $110 [redacted] share but AT&T [redacted] would be willing to [redacted] $100 per share if NCR dropped its opposition to the bid.

AT&T has already spent $12m in legal fees on the takeover attempt, Mr Allen said.

AT&T also reported its first-quarter results [redacted]. Earnings for the quarter rose 6.6 per cent to $712m, or 65 cents [redacted] from $668m, or 62 cents, [redacted] the first quarter of 1990. [redacted] increased to $9.19bn from [redacted] in the year-ago period.

AT&T's earnings were boosted by a one-time gain [redacted] $43m from the sale of 20 per cent [redacted] its Unix System Labora[redacted] subsidiary.

Cinema merger near collapse

By [redacted] Harverson in [redacted] York

THE $1.4bn merger between General Cinema, the US cinema and retailing group, and Harcourt Brace Jovanovich, the loss-making publishing and insurance company, appears to be on the verge of collapse.

General Cinema said yesterday that it had failed to reach an agreement with Harcourt bondholders over the purchase of their securities, and that no further talks between the two parties had been scheduled.

The takeover of Harcourt by General Cinema, first revealed on January 24, is conditional on 90 per cent of Harcourt bondholders accepting General Cinema's offer of between 32.4 cents and 93 cents on the dollar for Harcourt's junk bonds.

General Cinema has said [redacted] will [redacted] the merger agreement if [redacted] deal with the bondholders is not struck before the deadline on the offer expires today at 5pm, New York time.

General Cinema, which has twice extended the expiry date of its tender offer, said it was willing to raise its bid for the bonds. However, the company said the price demanded by the committee representing Harcourt bondholders was too high.

The price of Harcourt's stock and junk bonds fell sharply on news of the [redacted] New York Stock Exchange, Harcourt shares had fallen $⅝ to $¾ and its 14.75 subordinated debentures due in 2002 had slipped 5 points to [redacted] by midday yesterday. General [redacted] shares were down $¼ at $23⅞.

Industry analysts said yesterday if the merger deal collapses, another buyer of part, or all, of Harcourt would [redacted] found quickly [redacted] publishing and insurance group [redacted] a long-term future.

Philip Morris net advances 22%

By Nikki Tait in [redacted] York

[redacted] Morris, [redacted] huge tobacco and food combine, [redacted]terday reported a 21.5 per cent increase in after-tax earnings in the first quarter of 1991, to $942m.

Earnings per share rose by a similar amount, to $1.02, compared with 84 cents, although the advance in operating revenues was slightly greater, up 24.9 per cent.

Figures for the first quarter of 1991 include results from Jacobs Suchard, the Swiss-based coffee and confectionary group which Philip Morris bought for $4.1bn in the autumn of [redacted]

In terms of operating profits, the sharpest advance was seen in Philip Morris' [redacted] tobacco division.

Here, profits [redacted] $509m from $382m, and Mr Hamish Maxwell, the company's outgoing chairman, said unit volume – including [redacted] relatively high-margin export business – increased by 23.4 per cent year-on-year.

On the domestic tobacco front, operating income rose by 12 per [redacted] to $914m, with "slightly higher unit volume". The US [redacted] been in decline for some years.

At Kraft General Foods, operating income surged by [redacted] per cent, but [redacted] results partly [redacted] Suchard's inclusion. Mr Maxwell said General Foods USA saw significant [redacted] improvements, [redacted] KFG [redacted] also [redacted] and margins in Europe.

Mill[redacted] Brewing Company reported [redacted] slight improvement in operating income, but volumes were [redacted] by [redacted] buy-ins ahead of the excise tax [redacted] on January 1.

[redacted] American Brands, [redacted] tobacco, drinks and consumer products group, yesterday reported a more [redacted] per cent advance in net earnings, at $216.7m, in the first quarter.

Scott Paper down by 51% after tax

By Nikki Tait

SCOTT PAPER, the world's largest producer of toilet tissue, paper towels and napkins, combined news of a 51 per cent slump in first-quarter net earnings, with details of top management changes.

Scott said it made $29.3m after tax in the three months to March 30, on sales of $1.23bn, compared with $60.1m on sales of $1.29bn last time. However, the 1991 figures exclude earnings and sales from those "non-strategic" businesses which Scott has put up for sale.

If these were also excluded from the 1990 results, sales would have risen [redacted] by 10 per cent, while operating income would have declined by 17 per cent. The 1990 contribution to net income from these was negligible.

Scott blamed the profits drop on the depressed US economic environment, and on the repairs [redacted] the recovery boiler needed at its Somerset mill in Maine. These factors, it said, caused a sharp earnings fall at S.D. Warren, the printing and publishing papers subsidiary.

By contrast, it suggested that Scott Worldwide, the personal care and cleaning business, showed improved results, while the international operations had "an excellent quarter". Earnings in Europe advanced by 70 per cent.

Coca-Cola strongly ahead in first quarter

COCA-COLA, the [redacted] largest [redacted] drinks company, yesterday unveiled first-q[redacted] higher [redacted] analysts' expectations, [redacted] reports.

The group turned in first-quarter net income of $320.9m, up from $283.5m [redacted] time on [redacted] $2.48bn, against $2.15bn. Earnings per share [redacted] to 48 cents from 41 cents [redacted] volume outside North America up 6 per cent and worldwide gallon sales of syrups and concentrates up 4 per cent.

The earnings also benefited from a 6 per [redacted] dollar against key foreign hard currencies, compared with a year ago.

Mr Roberto Goizueta, chairman, said the company's US business showed a 4 per cent gain in the quarter in unit case sales.

Forest products group reports C$50m loss

By Robert Gibbens in [redacted]

THE [redacted] products industry is reporting continued [redacted] the [redacted] and [redacted] is likely until well [redacted] 1992.

[redacted] Products, a fully integrated [redacted] newsprint producers, reported a first-quarter [redacted] of C$50.1m (US$43.1m), or C$1.14 a share, [redacted] a profit [redacted] or 11 [redacted] year [redacted] fell to [redacted] from [redacted]

The company cited low mar[redacted] pulp prices, now [redacted] about US$200 per ton from the recent peak, and also poor newsprint prices. Tonnage volumes were also sharply lower.

CPFP is reviewing all its operations and will [redacted] only those businesses [redacted] it has "competitive strength".

But [redacted] is completing [redacted] modernisation at Thunder [redacted] will [redacted] a further [redacted] a new pulping unit and paper machine [redacted] at Gatineau in Quebec.

● Donohue, another big market pulp and newsprint producer, suffered a net loss of C$1.3m, or 5 cents a share in the first quarter against profit of C$10m or 31 cents a [redacted] earlier, on [redacted] of C$131m, against [redacted] only bright [redacted] lumber [redacted] North [redacted] are beginning [redacted] firm prices.

MacMillan Bloedel drops 87% and [redacted] no relief

[redacted] Robert Gibbens

DEPRESSED markets for pulp, paper and wood products brought an 87 per cent drop in MacMillan Bloedel's first-quarter earnings and the company sees little hope of improvement later in the year.

Net profit was C$3.8m (US$3.27m), compared with C$30m or 26 cents a common share in the first quarter of 1990 when the recession was already biting into forest products companies' earnings.

Sales were C$678m, against C$781m.

After preferred dividends, there were no earnings attributable to the common shares in the latest quarter.

Newsprint [redacted] were [redacted] and [redacted] price [redacted] on January 1 failed to hold. Advertising volume in the western US market [redacted] fallen drastically this year. Pulp and containerboard prices continued to [redacted]

MacMillan [redacted] brighter spots included [redacted] and speciality timber [redacted] and [redacted] Netherlands fine [redacted] KNP [redacted] profit contribution.

GTE hit by charge of $245m

By Nikki Tait

[redacted] operates the largest non-Bell telephone system in [redacted] US, yesterday revealed a sharp fall in [redacted] quarter earnings to $200m, compared with $407m in the [redacted] period [redacted] year [redacted] Earnings per cent share slipped from 46 cents to [redacted] cents.

However, the market [redacted] already aware GTE would take a one-time charge, resulting from its merger with Contel, and had expected the bottom-line reduction.

GTE said that, exclusive of the $245m one-off charge and a compensatory gain on the transfer of minority interests in certain cellular properties, net income worked out at $404m, [redacted]

This, it said, represented a 7 per cent advance on the first quarter of 1990 – once the previous year's results were also adjusted to include a full period [redacted] operations [redacted] the cellular properties bought last year.

Sales in the first quarter totalled [redacted] with $3.79bn coming from [redacted] telephone [redacted]tions.

GTE said the reduction [redacted] revenues from its telephone operations reflected the weakening economy. Operating income in this division improved by 7 [redacted] cent to $964m, largely due to cost control and a reorganisation of operations.

هكذا من الأصل

[redacted]

Gengold

[redacted]

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 MARCH 1991

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN
[redacted] Mining [redacted] Limited

Company [redacted] No. [redacted]

Underground operations to [redacted]

Issued capital – 13 082 920 shares of 50 cents each.

OPERATING RESULTS		Quarter ended [redacted]	Quarter ended 31.[redacted]
Mined	(m²)	[redacted]	43 462
Ore milled – underground	(t)	[redacted]	[redacted]
– surface dumps	(t)	[redacted]	[redacted]
– total	(t)	[redacted]	[redacted]
Yield – underground	(g/t)	[redacted]	[redacted]
– surface dumps	(g/t)	[redacted]	1,0
– combined	(g/t)	[redacted]	2,2
Gold produced	(kg)	[redacted]	1 122
Working revenue	(R/kg)	[redacted]	30 935
Working costs	(R/kg)	[redacted] 114	31 613
	(R/t milled)	[redacted]	69,01
Working loss	(R/kg)	2 [redacted]	678
Gold price received	(R/kg)	31 [redacted]	[redacted] 903
	($/oz)	371	380

FINANCIAL RESULTS (R'000)		
Working revenue	28 546	34 709
Working costs	30 848	35 470
Working loss	2 303	761
Additional development V.C.R.	[redacted]	1 613
Sundry income – net	1 157	1 087
Tribute payments – net	227	450
Loss before taxation and State's share of income	[redacted]	1 767
Taxation and State's share of income	–	–
Dividend received – Chemwes	–	10 000
Income/(loss) after taxation and State's share of income	[redacted] 671	8 243
Capital expenditure/(recoupment)	(55)	224
Dividend declared		7 838

DEVELOPMENT		Quarter ended 31.3.1991 Vaal Reef	Quarter ended 31.3.1991 V.C.R.	Quarter ended 31.12.1990 Vaal Reef	Quarter ended 31.12.1990 V.C.R.
Advanced	(m)	21	847	68	1 [redacted]
Advanced on reef	(m)	–	156	–	[redacted]
Sampled	(m)	–	160	–	[redacted]
Channel width	(cm)	–	41	–	[redacted]
Average value – gold	(g/t)	–	11,2	–	[redacted]
–	(cm.g/t)	–	457	–	[redacted]
– uranium	(kg/t)	–	0,091	–	0,1[redacted]
–	(cm.kg/t)	–	3,71	–	[redacted]

REMARKS
- Estimated capital expenditure for the next six months – Nil.
- Retrenchment costs of R0,4 million are included in working costs.
- On 3 April 1991 it [redacted] announced that the mine would cease underground operations by the [redacted] the year. The company will continue to treat dump material and it will [redacted]nue its pumping operations.
- As Chemwes has become a wholly-owned subsidiary, its results will no longer be published separately. Its net income after taxation for the quarter amounted to R197 000.

[redacted] mine
(A division of Buffelsfontein Gold Mining Company Limited)

Increased taxation reduces distributable income

In terms [redacted] from the Beatrix [redacted] is [redacted] Buffelsfontein [redacted] Mines Limited.

OPERATING RESULTS		Quarter ended 31.3.1991	Quarter ended 31.12.1990	9 months ended 31.3.1991
Mined	(m²)	[redacted]	[redacted]	385 398
Ore milled	(t)	[redacted]	[redacted]	1 588 000
Yield	(g/t)	[redacted]	6,2	6,2
Gold produced	(kg)	3 3[redacted]	3 300	9 830
Working revenue	(R/kg)	30 684	31 115	31 148
Working costs	(R/kg)	[redacted]	[redacted]	21 375
	(R/t milled)	[redacted]	[redacted]	131,49
Working income	(R/kg)	[redacted]	[redacted]	9 773
Gold price received	(R/kg)	30 [redacted]	31 078	31 122
	($/oz)	[redacted]	383	376

FINANCIAL RESULTS (R'000)			
Working revenue	101 [redacted]	102 680	306 182
Working costs	[redacted] 632	70 748	210 119
Working income	[redacted]	31 932	96 063
Sundry income – net	1 496	1 631	6 169
Royalty payments – Beatrix Mines Limited	[redacted]	15 402	45 038
Income before taxation	17 955	[redacted]	58 199
Provision for taxation	9 381	[redacted]	19 070
Income after taxation	[redacted] 584	13 [redacted]	37 129
Capital appropriation	[redacted] 651	4 [redacted]	11 755
Dividends on preference shares	[redacted]	8 [redacted]	20 000

DEVELOPMENT – Beatrix Reef				
Advanced	(m)	8 [redacted]	[redacted] 518	27 318
Advanced on reef	(m)	1 [redacted]	[redacted]	6 611
Sampled	(m)	1 [redacted]	[redacted]	6 614
Channel width	(cm)	[redacted]	[redacted]	78
Average value – gold	(g/t)	[redacted]	[redacted]	10,6
–	(cm.g/t)	766	[redacted]	826

REMARKS
- Estimated capital expenditure for the next six months – R8,8 million.
- The introduction of the amended formula for mining taxation for this financial year resulted in an upward adjustment of R2,2 million in this quarter to rectify the liability for the nine months to March 1991.
- The attention of shareholders is drawn to the quarterly report of Beatrix Mines Limited, which appears elsewhere in this publication.

UNISEL
Gold [redacted] Limited

Company Registration No. 72/10604/06

Gold production drops

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS		Quarter ended 31.3.1991	[redacted] ended [redacted]	6 months ended 31.3.1991
Mined	(m²)	38 [redacted]	47 211	85 876
Ore milled	(t)	206 [redacted]	242 000	448 000
Yield	(g/t)	[redacted]	6,2	6,0
Gold produced	(kg)	1 200	[redacted]	2 700
Working revenue	(R/kg)	31 753	30 750	31 195
Working costs	(R/kg)	27 803	[redacted]	26 213
	(R/t milled)	161,96	154,93	158,18
Working income	(R/kg)	3 950	[redacted] 805	4 982
Gold price received	(R/kg)	31 733	[redacted] 718	31 188
	($/oz)	385	378	381

FINANCIAL RESULTS (R'000)			
Working revenue	38 103	[redacted]	84 320
Working costs	33 363	37 [redacted]	70 855
Working income	4 740	[redacted]	13 465
Sundry income – net	889	[redacted]	2 088
Milling fee paid	1 637	[redacted]	3 273
Income before taxation and State's share of income	3 992	8 288	12 280
Taxation and State's share of income	1 386	–	1 386
Income after taxation and State's share of income	2 606	8 288	10 894
Capital expenditure	4 995	6 416	11 411
Dividend declared	2 800	–	2 800

DEVELOPMENT		Quarter ended 31.3.1991 Basal Reef	Quarter ended 31.3.1991 Leader Reef	Quarter ended 31.12.1990 Basal Reef	Quarter ended 31.12.1990 Leader Reef	6 months ended 31.3.1991 Basal Reef	6 months ended 31.3.1991 Leader Reef
Advanced	(m)	2 398	–	2 751	13	5 149	13
Advanced on reef	(m)	134	–	212	13	346	13
Sampled	(m)	127	–	110	10	237	10
Channel width	(cm)	94	–	106	92	100	93
Average value – gold	(g/t)	13,2	–	8,3	6,0	10,7	6,0
–	(cm.g/t)	1 228	–	880	557	1 080	557

REMARKS
- [redacted] capital expenditure [redacted] the next [redacted] months – R11 [redacted]
- [redacted] No. [redacted] of 10 [redacted] per [redacted]
- A [redacted] been [redacted] St [redacted] in [redacted] costs [redacted] possible.
- [redacted] in [redacted] in [redacted] newly-opened area on [redacted] in a [redacted] in [redacted] production of [redacted] kilograms.

WINKELHAAK
Mines Limited

Company Registration No. 55/03508/06

[redacted] absorbs profits

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1991	Quarter ended 31.12.1990	6 months ended 31.3.1991
Mined	(m²)	108 350	119 666	228 016
Ore milled	(t)	483 [redacted]	492 000	975 000
Yield	(g/t)	[redacted]	[redacted]	[redacted]
Gold produced	(kg)	2 900	[redacted]	[redacted] 902
Working revenue	(R/kg)	[redacted]	[redacted]	31 222
Working costs	(R/kg)	23 883	23 399	[redacted]
	(R/t milled)	143,40	142,77	143,08
Working income	(R/kg)	7 207	7 951	7 585
Gold price received	(R/kg)	30 987	[redacted]	31 039
	($/oz)	378	382	380

FINANCIAL RESULTS (R'000)			
Working revenue	90 160	94 112	184 272
Working costs	[redacted] 262	70 245	139 507
Working income	[redacted]	23 867	44 765
Sundry income – net	[redacted]	[redacted]	6 741
Income before taxation and State's share of income	23 405	27 601	51 006
Taxation and State's share of income	1 393	1 892	3 285
Income after taxation and State's share of income	22 012	25 709	47 721
[redacted] expenditure	22 424	24 779	47 203
Dividend [redacted]	12 180	–	12 180

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	3 839	3 553	7 392
Advanced on reef	(m)	840	902	1 742
Sampled	(m)	754	791	1 545
Channel width	(cm)	84	86	85
Average value – gold	(g/t)	12,2	12,5	12,4
–	(cm.g/t)	1 023	1 082	1 053

REMARKS
- [redacted] – R37 million.
- [redacted] Main [redacted] and development to reef [redacted]
- Interim divi[redacted] cents per share was declared.
- [redacted] gold pr[redacted] the high capital [redacted] programme at the No. [redacted] complex are having a material [redacted] impact on [redacted] earnings. The extent [redacted] which capital expenditures can be [redacted] affecting the continuity of the No. 8 shaft [redacted] facilities of R80 million at [redacted] rates h[redacted]ished against the event that it is decided to use [redacted] of [redacted] in the absen[redacted] improvement in [redacted] rand [redacted] in the [redacted] materially from [redacted]

WELTEVREDEN
Mines [redacted]

Company Registration No. 70/14487/06

Development on target

Issued capital – 5 000 000 shares of 1 cent each.

PROJECT PROGRESS
- Sinking of the twin declines advanced to a distance of 842 metres from the surface portal.
- Construction work on surface is [redacted] on schedule.
- Capital expenditure to date amounts to R42,8 million and is within budget.

The GROOTVLEI
Proprietary [redacted] Limited

Company Registration [redacted] 01/02088/06

Costs down, profits up

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS		Quarter ended 31.3.1991	Quarter ended 31.12.1990
Mined	[redacted]	27 979	26 101
Ore milled – underground	(t)	11[redacted]	10[redacted]
– surface dumps	(t)	1 000	[redacted]
– total	(t)	114 000	115 000
Yield – underground	(g/t)	5,1	5,2
– surface dumps	(g/t)	1,0	1,0
– combined	(g/t)	5,0	4,9
Gold produced	(kg)	574	569
Working revenue	(R/kg)	31 824	32 070
Working costs	[redacted]	29 068	30 547
	[redacted]	146,36	151,14
Working income	(R/kg)	2 556	1 523
Gold price received	(R/kg)	[redacted]	31 884
	($/oz)	382	390

FINANCIAL RESULTS (R'000)		
Working revenue	[redacted]	18 248
Working costs	16 865	17 381
Working income	1 467	867
Sundry income – net	1 229	1 007
Tribute receipts – net	136	390
Income before taxation and State's share of income	2 832	2 264
Taxation and State's share of income	772	1 167
Income after taxation and State's share of income	2 060	1 097
Capital expenditure/(recoupment)	74	(156)
Dividend declared	–	[redacted]

DEVELOPMENT		Quarter ended 31.3.1991 Black Reef	Quarter ended 31.3.1991 Kimberley Reef	Quarter ended 31.12.1990 Black Reef	Quarter ended 31.12.1990 Kimberley Reef
Advanced	(m)	275	[redacted]	[redacted]	7[redacted]
Advanced on reef	(m)	142	7[redacted]	1[redacted]	[redacted]
Sampled	(m)	141	726	160	[redacted]
Channel width	(cm)	105	12	111	11
Average value – gold	(g/t)	9,5	42,8	19,1	41,3
–	(cm.g/t)	998	509	2 113	466

REMARKS
- Estimated capital expenditure for the next six months [redacted] million.

LESLIE
Gold Mines Limited

Company Registration No. 59/01124/06

Good values in the northern block

Issued capital – [redacted] 000 000 shares of 65 cents each.

OPERATING RESULTS		[redacted]	[redacted]	6 months ended 31.3.1991
Mined	(m²)	29 494	[redacted]	[redacted]
Ore milled	(t)	108 000	116 000	224 000
Yield	(g/t)	5,0	4,9	4,9
Gold produced	(kg)	540	565	[redacted]
Working revenue	(R/kg)	32 511	31 165	31 823
Working costs	(R/kg)	30 057	30 007	30 032
	(R/t milled)	150,28	146,15	148,15
Working income	(R/kg)	2 [redacted]	1 158	[redacted]
Gold price received	(R/kg)	32 422	31 164	31 779
	($/oz)	392	383	388

FINANCIAL RESULTS (R'000)			
Working revenue	[redacted]	17 609	[redacted]
Working costs	[redacted]	16 954	[redacted]
Working income	[redacted]	[redacted]	[redacted]
Sundry income – net	425	675	1 100
Income before taxation and State's share of income	[redacted]	[redacted]	[redacted]
Taxation and State's share of income	624	349	973
Income after taxation and State's share of income	1 126	980	2 106
Capital [redacted]	234	195	429
Dividend declared	800	–	[redacted]

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	873	[redacted]	[redacted]
Advanced on reef	(m)	[redacted]	169	311
Sampled	(m)	129	134	263
Channel width	(cm)	41	40	40
Average value – gold	(g/t)	[redacted]	[redacted]	[redacted]5
–	(cm.g/t)	[redacted]	[redacted]	1[redacted]1

REMARKS
- Estimated [redacted] for [redacted] six months – [redacted] million.
- [redacted] development is proceeding mainly off reef to expand the [redacted] for stoping operations. To date 5 128 metres have been developed, of which 815 metres were on reef at an average value of 1 000 centimetre [redacted]
- Interim dividend No. 53 of 5 cents per share was declared.

WEST RAND
[redacted] Mines Limited

Company Registration No. 01/01978/06

Improved development results

Issued capital – 4 250 [redacted] ordinary shares of [redacted]ch.
– 3[redacted] deferred shares of [redacted]ch.

OPERATING RESULTS		[redacted] 31.3.[redacted]	Quarter ended [redacted] 12.1990
Mined	(m²)	25 [redacted]	29 [redacted]
Ore milled – underground	(t)	85 000	92 [redacted]
– surface dumps	(t)	[redacted] 000	[redacted]
– total	(t)	[redacted] 000	[redacted]
Yield – underground	(g/t)	[redacted]	[redacted]
– surface dumps	(g/t)	[redacted]	[redacted]
– combined	(g/t)	[redacted]	[redacted]
Gold produced	(kg)	[redacted]	[redacted]
Working revenue	(R/kg)	32 [redacted]	31 [redacted]
Working costs	(R/kg)	31 [redacted]	[redacted]
	(R/t milled)	8[redacted]	[redacted]
Working income/(loss)	(R/kg)	[redacted]	[redacted]
Gold price received	(R/kg)	32 [redacted]	[redacted]
	($/oz)	[redacted]	[redacted]

FINANCIAL RESULTS (R'000)		
Working revenue	[redacted]	17 916
Working costs	[redacted]	18 274
Working income/(loss)	556	(358)
Sundry income – net	1 312	1 707
Tribute and royalty payments – net	84	140
Income before taxation	1 784	1 209
Taxation	848	580
Income after taxation	936	629
Capital recoupment	45	948
Dividend declared	–	2 800

DEVELOPMENT			
Advanced	(m)	1 013	1 080
Advanced on reef	(m)	765	621
Sampled	(m)	678	489
Channel width	(cm)	59	76
Average value – gold	(g/t)	20,4	10,7
–	(cm.g/t)	1 206	810

REMARKS
- Estimated capital expenditure for the next six months – Nil.

ST. HELENA
[redacted] Mines Limited

Company Registration [redacted] 05/20743/06

Stoping [redacted] scaled down

Issued capital – [redacted] shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 825 035 'B' cumulative preference shares of R1 each.
– 2 465 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 31.3.1991	Quarter ended 31.12.1990
Mined	(m²)	73 061	87 216
Ore milled	(t)	410 000	405 000
Yield	(g/t)	6,2	6,4
Gold produced	(kg)	2 550	2 591
Working revenue	(R/kg)	30 904	[redacted]
Working costs	(R/kg)	29 417	[redacted]
	(R/t milled)	182,96	[redacted]
Working income	(R/kg)	1 487	2 566
Gold price received	(R/kg)	30 880	31 000
	($/oz)	373	381

FINANCIAL RESULTS (R'000)		
Working revenue	[redacted] 806	80 520
Working costs	[redacted] 014	73 819
Working income	3 [redacted]	6 [redacted]
Sundry income – net	3 [redacted]	[redacted]
Income before taxation and State's share of income	7 550	11 [redacted]
Taxation and State's share of income	1 271	1 [redacted]
Income after taxation and State's share of income	6 279	9 958
Taxation offset on Oryx capital expenditure	–	(915)
Attributable to ordinary shareholders	[redacted]	10 873
Capital expenditure	1 886	4 166
Dividend declared	–	11 669

DEVELOPMENT		Quarter ended 31.3.1991 Basal Reef	Quarter ended 31.3.1991 Leader Reef	[redacted] 31.[redacted] Basal Reef	[redacted]
Advanced	(m)	4 457	345	4 374	620
Advanced on reef	(m)	554	210	345	357
Sampled	(m)	546	254	334	347
Channel width	(cm)	108	192	117	192
Average value – gold	(g/t)	7,6	3,3	6,1	3,8
–	(cm.g/t)	826	631	716	734

REMARKS
- Estimated capital expenditure for the next six months – R6 million.
- [redacted] of [redacted] by Free State Consolidated Gold Mines Limited (FREEGOLD) yielded a profit of R0,5 million during the quarter.
- The mine will provide Unisel with various services on a pay-for-use basis in order to reduce the costs of both mines wherever possible.

BRACKEN
Mines Limited

Company Registration No. 59/01126/06

Profit [redacted] as mine scales down

Issued capital – [redacted] 000 000 shares of 90 cents each.

OPERATING RESULTS		Quarter ended 31.3.1991	Quarter ended 31.12.1990	6 months ended 31.3.1991
Mined	(m²)	27 743	30 893	58 636
Ore milled	(t)	107 000	112 000	219 000
Yield	(g/t)	4,8	4,6	4,7
Gold produced	(kg)	511	510	1 021
Working revenue	(R/kg)	32 036	31 151	31 594
Working costs	(R/kg)	28 249	29 676	28 962
	(R/t milled)	134,91	135,13	135,02
Working income	(R/kg)	3 786	1 475	2 632
Gold price received	(R/kg)	30 844	31 149	30 996
	($/oz)	374	383	379

FINANCIAL RESULTS (R'000)			
Working revenue	16 370	15 887	32 257
Working costs	14 435	15 135	29 570
Working income	1 935	752	2 687
Sundry income – net	668	885	1 553
Tribute and royalty payments – net	7	–	7
Income before taxation and State's share of [redacted]	2 [redacted]	1 637	4 233
[redacted] and [redacted] share [redacted] income	1 1[redacted]	415	1 536
[redacted] after taxation [redacted]'s [redacted] income	1 475	1 222	2 697
Capital expenditure/(recoupment)	38	(61)	(23)
Dividend declared	1 400	–	1 400

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	637	722	1 359
Advanced on reef	(m)	199	339	538
Sampled	(m)	192	285	477
Channel width	(cm)	16	22	19
Average value – gold	(g/t)	28,6	29,3	29,1
–	(cm.g/t)	457	641	567

REMARKS
- Estimated capital expenditure for the next six months – Nil.
- Interim dividend No. 57 of 10 cents per share was declared.

KINROSS
[redacted] Limited

Company Registration No. 63/06226/06

Tax saving on new formula

Issued capital – 18 000 000 stock units of [redacted] each.

OPERATING RESULTS		[redacted] 31.3.1[redacted]	Quarter ended 31.12.1990	6 month ended 31.3.1991
Mined	(m²)	104 [redacted]	104 325	209 034
Ore milled	(t)	479 000	481 000	960 000
Yield	(g/t)	6,3	6,3	6,3
Gold produced	(kg)	3 015	3 030	6 045
Working revenue	(R/kg)	30 769	31 627	31 199
Working costs	(R/kg)	22 134	21 800	21 966
	(R/t milled)	139,32	137,33	138,32
Working income	(R/kg)	8 [redacted]	9 827	9 233
Gold price received	(R/kg)	30 [redacted]	31 471	31 093
	($/oz)	[redacted]	386	381

FINANCIAL RESULTS (R'000)			
Working revenue	92 7[redacted]	95 829	188 599
Working costs	[redacted]	66 054	132 787
Working income	26 037	29 775	55 812
Sundry income – net	3 024	5 147	8 171
Tribute and royalty payments – net	76	918	994
Income before taxation and State's share of income	28 985	34 004	62 989
Taxation and State's share of income	10 188	17 021	27 209
Income after taxation and State's share of income	18 797	16 983	35 780
Capital expenditure	6 503	4 178	10 [redacted]
Dividend declared	20 700	–	20 [redacted]

DEVELOPMENT – Kimberley Reef				
Advanced	(m)	2 743	3 321	6 [redacted]
Advanced on reef	(m)	792	990	1 [redacted]
Sampled	(m)	785	983	1 [redacted]
Channel width	(cm)	38	42	40
Average value – gold	(g/t)	[redacted]	28,0	28,6
–	(cm.g/t)	[redacted]	1 194	1 144

REMARKS
- Estimated capital expenditure for the next six [redacted] – R18 million.
- The introduction of the amended formula for mining taxation for this financial year resulted in a downward adjustment of R2,3 million in this quarter to rectify the liability for the [redacted] months to March 1991.
- Interim dividend No. 46 of 115 cents per stock unit was declared.

BUFFELSFONTEIN
[redacted] Limited

Company [redacted] 05/33934/06

Costs reduced

Issued capital – 11 000 000 [redacted]ry shares of R1 each.
– 15 289 000 [redacted]ative preference shares of R1 each.

OPERATING RESULTS Gold		Quarter ended 31.3.1991	[redacted] ended 31.12.1990	9 months ended 31.3.1991
Mined	(m²)	108 195	117 288	356 939
Ore milled	(t)	538 000	5[redacted]	1 651 000
Yield	(g/t)	5,8	[redacted]	5,7
Gold produced	(kg)	3 128	[redacted]	9 484
Working revenue	(R/kg)	31 011	[redacted]	31 228
Working costs	(R/kg)	29 505	[redacted]	30 728
	(R/t milled)	172,19	[redacted]	176,07
Working income	(R/kg)	1 506	[redacted]	503
Gold price received	(R/kg)	30 990	[redacted]	31 186
	($/oz)	374	[redacted]	377
Uranium				
Pulp treated	(t)	538 000	[redacted] 000	1 651 000
Oxide produced	(t)	63	73	215
Yield	(kg/t)	0,12	0,13	0,13

FINANCIAL RESULTS (R'000)			
Gold – Working revenue	97 003	98 945	295 551
– Working costs	92 292	98 150	290 793
– Working income	4 711	795	4 758
Uranium – Working income/(loss)	(2 348)	1 677	[redacted]
Sundry income – net	3 248	4 163	22 [redacted]
Tribute payment – net	280	[redacted]	1[redacted]
Income before taxation and State's share of income	5 333	6 123	25 344
Taxation and State's share of income	3 432	600	[redacted] 032
Share of income – Beatrix mine	762	1 524	[redacted] 816
Income after taxation and State's share of income	2 663	7 047	25 122
Capital expenditure	726	848	2 983
Dividends declared – ordinary shares	–	19 800	19 800
– preference shares	4 000	8 000	20 000

DEVELOPMENT – Vaal Reef				
Advanced	(m)	3 745	4 423	12 [redacted]
Advanced on reef	(m)	324	622	1 [redacted]
Sampled	(m)	324	594	1 [redacted]
Channel width	(cm)	89	86	83
Average value – gold	(g/t)	16,4	10,8	1[redacted]
–	(cm.g/t)	1 477	921	[redacted]
– uranium	(kg/t)	0,342	0,248	0,321
–	(cm.kg/t)	30,86	21,35	28,64

REMARKS
- Estimated capital expenditure for the next six months – R3,0 million.

[redacted] mine
(A division of St. Helena Gold Mines Limited)

Satisfactory progress maintained

OPERATING RESULTS Basal Reef		Quarter ended 31.3.1991	Quarter ended 31.12.1990
Ore milled	(t)	6 383	18 684
Gold produced	(kg)	13	40

FINANCIAL RESULTS (R'000)		
Net income before taxation	60	384
Capital expenditure	78 176	74 725

SHAFT SINKING
Sinking of the subvertical ventilation shaft progressed to 1 006 metres below 5 level and the [redacted] main [redacted] to 930 metres.

CONSTRUCTION
Construction of the metallurgical plant is proceeding on schedule.

[redacted]
- Capital expenditure is financed by loans from Oryx Gold Holdings Limited.
- [redacted] tons of ore was stockpiled in readiness for the commissioning of the metallurgical plant.
- The attention of shareholders is drawn to the quarterly report of Oryx Gold Holdings Limited, which appears [redacted] in this publication.

NOTES

1. On 17 April 1991 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 3 May 1991.

   The registers of members of the companies will be closed from 6 May 1991 to 17 May 1991, both days inclusive.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 3 June 1991, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 14 June 1991.

   In the case of non-resident shareholders, taxation of 15 percent will be deducted.

   The full conditions of payment may be inspected at or obtained from the registered office.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

Transfer offices
South Africa:
Central Regis[redacted] Limited
154 Market St[redacted] Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclay[redacted]
Bourne [redacted]
34 Beckenham Road
Beckenham
Kent BR3 4TU

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)

London office
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

[redacted] respective boards
[redacted] Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg, 17 April 1991

Copies are available from the London office

GENMIN GROUP

US long bond prices rally as freight rail strike bites

By Patrick Harverson in New York and Tracy Corrigan in London

THE EXPECTATION that the nationwide freight rail strike which started in the US yesterday might slow the pace of economic activity lifted government bond prices at the long end yesterday morning.

By midday the benchmark 30-year Treasury bond was up ⅜ at 97⅞, to yield 8.083 per cent.

GOVERNMENT BONDS

The two-year note, however, [illegible] unchanged [illegible] 100⅛, yielding [illegible].

Trading was said to be quiet. In the absence of a move on interest rates from the Federal Reserve, the bond market looked elsewhere for a lead and found it in the rail strike.

Estimates suggest that the 235,000 railworkers' industrial action could stop the flow of one-third [illegible] US [illegible] the country, making as many as half a million non-rail wor[illegible] temporarily out of work. [illegible] news [illegible] the economy [illegible] tradi[illegible]nally good [illegible] for long bond prices.

The market was also helped by a report that Mr Alan Greenspan, the Fed chairman, had said at a conference that while the recovery was under way, there was more economic weakness ahead.

He was also reported to have said that US inflation was under control, and his remarks were seen by the market as a hint that further interest rate [illegible] be in [illegible] pipeline.

■ EUROPEAN bond markets [illegible] lifted by the rally in the [illegible] market towards the end of the session, but activity was limited, according to dealers.

The yield spread between French and German government bonds reached another [illegible] low of [illegible] basis points. Some investors are now taking profits [illegible] that spread trade, unwinding positions taken at the turn of the year when the spread was around *100* basis points.

However, others are keeping the trade in place, in the expectation of further tightening. Mr Alex Mitcheson-Smith, an analyst at UBS Phillips & Drew, expects French and German inflation rates to cross over this summer, and government bond yields to cross in the third quarter.

[illegible] German market was low yesterday, but prices were lifted [illegible] the rally in the US. Dealers [illegible]id that there are some short positions in the market, which could prompt something of a short-covering rally in the next few days.

The Bund [illegible] on the London International Financial Futures Exchange ended at 85.80, up from 85.46.

Trading in the gilts market was confined to a narrow price range in low volume yesterday. The market failed to react to data showing a $3.1bn borrowing requirement in March, in line with expectations.

The Bank of England's £1.2bn tranche of 10 per cent gilts due 1996, to be auctioned next week, is trading on a when-issued basis at 48⅞ (the stock [illegible] [illegible]tly paid), in line [illegible] outstanding issue.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	[illegible]	[illegible]	+00/32	[illegible]	10.53	10.57
		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.99	10.22
		[illegible]	[illegible]	[illegible]	[illegible]	9.63	9.77	9.99
US TREASURY *		[illegible]	02/01	[illegible]	[illegible]	7.93	8.03	8.10
		[illegible]	02/21	[illegible]	[illegible]	8.09	8.21	[illegible]
[illegible]	No 119	4.800	[illegible]	86.4178	[illegible]	[illegible]	7.05	6.95
	No 129	6.400	03/00	98.5442	-0.055	[illegible]	[illegible]	[illegible]
GERMANY		9.000	[illegible]	104.2800	+0.330	[illegible]	8.34	8.41
FRANCE	BTAN	[illegible]	02/96	[illegible]	+0.075	9.01	9.10	9.22
	OAT	[illegible]	01/01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] *		9.750	[illegible]	[illegible]	[illegible]	[illegible]	9.50	9.64
NETHERLANDS		8.500	03/01	[illegible]	[illegible]	8.55	[illegible]	8.68
AUSTRALIA		[illegible]	07/00	[illegible]	+0.737	[illegible]	[illegible]	11.49
BELGIUM		10.000	[illegible]	[illegible]	-	[illegible]	8.98	9.00

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Japanese railway in straight issue

KINKI Nippon Railway, a leading Japanese private railway [illegible], launched [illegible] first straight bond issue by an industrial company for two years yesterday, writes Emiko Terazono in Tokyo. The nine-year bonds are worth Y10bn with a coupon [illegible] 7 [illegible] cent.

This will be the first domestic straight bond issue by a industrial company since Mitsubishi Estate's flo[illegible] in [illegible]er 1988, only a month after the market was opened [illegible] industrial companies.

Japanese companies have since relied on equity-linked funding, such as [illegible] bonds and convertible bonds, and kept their [illegible] the straight bonds.

Government restrictions preventing companies with low ratings from financing had partly stemmed the flow, as had the high commission costs, which had made the bonds less attractive than equity-linked issues.

The [illegible]ult has been that only a select group of utilities companies, such as electrical power [illegible] and Nippon Telegraph [illegible] Telephone, have used straig[illegible] bonds.

But tig[illegible] lending policies enforced by Japanese banks and [illegible] realisation of the risks linked to equity financing in a [illegible] stock market have prompted companies [illegible] other sources of financing.

Leading [illegible] companies are expected to turn to the straight bond market. Mitsubishi Estate has again filed applications with the Ministry of Finance, and plans to issue a total of Y200bn within the next two years.

Mr Mitsuru Nagai, director and general manager at Kinki Nippon Railway's finance and accounting division, said that the sluggish stock [illegible] has made the company cautious about [illegible]uity linked financing.

"And you can't get [illegible] bank to lend Y10bn on the spot these days," he added.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:05 pm on April 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	102¼		7.90
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	104¼		8.26
AUSTRIA 8 1/2 00	400	[illegible]	99⅝		8.57
BANK OF TOKYO 8 3/8 96	[illegible]	[illegible]	99⅝		8.56
BELGIUM 9 1/8 92	400	101¼	[illegible]	-⅛	[illegible]
BFCE 7 3/4 97	150	98⅛	[illegible]	+⅛	[illegible]
BNP 8 5/8 94	300	101½	102	-⅛	[illegible]
BP CAPITAL 9 5/8 93	150	[illegible]	[illegible]		7.84
CANADA 9 96	1000	[illegible]	[illegible]		8.03
CARCO 9 1/4 96	650	97⅛	97⅝	-1⅛	9.88
CCCE 9 1/4 95	300	103⅝	104¼	-⅛	8.03
COUNCIL EUROPE 8 96	100	98	98⅝	-⅛	8.47
CREDIT FONCIER 9 1/2 99	300	105	105½	-⅛	8.59
DENMARK 0 98	250	98	98½	-⅛	8.53
DENMARK 8 1/4 94	150	[illegible]	101¼		7.87
ECSC 8 1/4 96	193	[illegible]	100¼		8.30
EEC 7 1/4 93	250	[illegible]	100¼		7.31
EIB 7 3/4 96	250	[illegible]	98¾	+⅛	[illegible]
EIB [illegible] 97	1000	103¾	104	+⅛	[illegible]
[illegible] 9 98	200	103	103½	+⅛	[illegible]
EUROFIMA 9 1/4 96	[illegible]	[illegible]	103⅝		[illegible]
[illegible] 9 1/2 98	150	105	105½		[illegible]
[illegible]	200	97¼	97¾	+⅛	8.48
FINNISH EXPORT 9 3/8 95	200	[illegible]	104¼		[illegible]
[illegible] 9 1/2 93	300	102¼	102¾	-⅛	8.37
[illegible] 9 3/8 96	300	104¼	104¾	-⅛	8.26
GMAC 9 1[illegible] 96	200	101½	102¼	+⅛	8.70
HALIFAX [illegible] 93	200	103	103½		7.92
IBM WORLD TRADE 7 5/8 93	150	96¼	97	-⅛	9.17
[illegible] JAPAN FIN 7 7/8 97	200	[illegible]	[illegible]	+⅛	[illegible]
[illegible] DEV 7 5/8 96	200	96⅜	97¼		8.35
[illegible] 94	1500	101½	102	-⅛	7.89
JAPAN [illegible] BK 8 94	150	100¼	[illegible]	+⅛	7.71
KANSAI ELEC PWR 10 96	350	104¾	[illegible]		8.74
LTCB 8 5/8 93	150	101¼	[illegible]		7.80
NEW ZEALAND 8 93	100	100¼	100¼		7.85
NIPPON CRED BK 9 3/4 93	150	103½	104		8.10
NIPPON TEL & TEL 9 3/8 95	200	104	[illegible]	+⅛	8.12
NORDIC INV BANK 9 93	200	102⅝	[illegible]	-⅛	7.64
ONTARIO HYDRO 11 5/8 94	200	107⅝	108¼	-⅛	[illegible]
OSTER KONTROLLBANK 8 1/8 93	200	101¼	101⅝		[illegible]
PETRO-CANADA 7 1/4 96	200	95⅝	[illegible]	+⅛	[illegible]
PRUDENTIAL RLTY SECS 0 99	365.216	50¼	[illegible]	+⅛	[illegible]
QUEBEC HYDRO 9 3/4 98	150	[illegible]	104¼		[illegible]
QUEBEC PROV 9 98	200	[illegible]	101¼	+⅛	[illegible]
SAINSBURY 9 1/8 96	150	101⅝	102	-⅛	[illegible]
SAS 10 99	200	99⅞	[illegible]		[illegible]
SBAB 9 1/2 95	500	104	104½	-⅛	[illegible]
STATE BK STH AUST 9 1/4 93	100	101½	102¼	-⅛	[illegible]
SUMITOMO BK CAP MKT 9 3/8 93	150	102¼	103¼		[illegible]
SWEDEN 8 1/8 94	150	99	99½	-1⅛	[illegible]
SWEDISH EXPORT 9 5/8 93	100	103½	[illegible]	+⅛	[illegible]
TOKYO METROPOLIS 8 1/4 96	200	99½	[illegible]	-⅛	[illegible]
WORLD BANK 8 3/8 99	1500	100¼	[illegible]	+⅛	[illegible]
WORLD BANK 8 3/4 97	1500	102¼	[illegible]	+⅛	[illegible]
XEROX CORPN 8 3/8 96	100	[illegible]	[illegible]	+2⅛	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	98¼	98¾	-⅛	[illegible]
AUSTRIA 6 98	400	[illegible]	85½	[illegible]	[illegible]
CNT 6 1/8 98	200	84⅝	84⅞	-⅛	[illegible]
CREDIT FONCIER 6 3/4 99	500	87⅝	87⅞	-⅛	[illegible]
DEUTSCHE BK FIN 5 5/8 96	750	88	88		[illegible]
EEC 5 3/8 93	300	94⅛	94½	-⅛	[illegible]
EIB 6 1/8 96	300	88	88¼	[illegible]	[illegible]
EIB 6 7/8 95	300	93½	93⅞	+⅛	[illegible]
EUROFIMA 6 1/4 98	400	87⅝	87⅞	-⅛	[illegible]
FELDMUEHLE FINANCE 8 99	200	95⅝	95⅞	-⅛	[illegible]
FERRO DEL STAT 5 3/8 93	500	94⅛	94½		[illegible]
IND BK JAPAN FIN 5 5/8 96	200	87⅝	87⅞	+⅛	[illegible]
INTER AMER DEV 7 1/4 99	300	93	93	+⅛	[illegible]
LUFTHANSA INT FIN 5 7/8 98	500	[illegible]	85¼	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	[illegible]	[illegible]		[illegible]
KREDIETCORP 7 93 LFr	1000	94¼	[illegible]		[illegible]
WORLD BANK 8 96 LFr	1000	95⅛	[illegible]		9.12
AMRO BANK 6 1/4 92 Fl	150	[illegible]	[illegible]		9.45
RABOBANK 5 3/4 93 Fl	150	[illegible]	[illegible]		9.22
ALBERTA, PROVINCE 10 92 C$	500	[illegible]	100¼		[illegible]
BCE INC 9 5/8 93 C$	300	[illegible]	99⅝		[illegible]
BELL CANADA 10 5/8 99 C$	150	100¼	101¼		[illegible]
BRITISH COLUMBIA 9 1/4 93 C$	150	[illegible]	99¾		[illegible]
EIB 10 1/8 98 C$	130	100¼	[illegible]	+⅛	10.06
FORD CREDIT CANADA 10 94 C$	100	[illegible]	[illegible]	+⅛	10.57
GENERAL ELECT CAP 10 1/4 93 C$	175	101	[illegible]		[illegible]
MONTREAL TRUSTCO 8 1/2 92 C$	100	[illegible]	[illegible]		[illegible]
ONTARIO HYDRO 10 7/8 99 C$	500	102⅛	103	+⅛	[illegible]
QUEBEC PROV 10 1/2 98 C$	200	99⅝	100¼	+⅛	10.55
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅛	99⅝	+⅛	10.71
SWEDEN 9 3/4 93 C$	250	100¼	[illegible]	+⅛	9.67
BELGIUM 9 1/8 96 Ecu	[illegible]	100⅜	[illegible]		9.02
CNT 7 3/8 93 Ecu	[illegible]	94⅜	[illegible]	-⅛	10.06
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	96⅝	-⅛	[illegible]
DENMARK 7 5/8 96 Ecu	[illegible]	90¼	91¼	-⅛	10.06
EEC 7 5/8 94 Ecu	200	96⅛	96⅝		9.21
EIB 10 97 Ecu	1125	105	105½	+⅛	8.85
ITALY 10 3/4 00 Ecu	1000	109⅞	110	+⅛	[illegible]
UNITED KINGDOM 9 1/8 01 Ecu	2750	100⅜	101	+⅛	8.98
BMW FINANCE 14 1/2 92 A$	100	101⅞	102¼		12.40
COUNCIL EUROPE 13 93 A$	90	101¼	102¼	+⅛	12.16
EKSPORTFINANS 12 3/8 95 A$	[illegible]	102¼	102⅞	+⅛	11.67
FORD CRED AUST 13 93 A$	[illegible]	100⅜	101⅛	+⅛	12.57
ICI 15 1/2 92 A$	100	103	103⅝	+⅛	[illegible]
MCDONALDS CANADA 15 95 A$	100	107⅝	108¼	+⅛	12.51
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105⅜	106¼	+⅛	12.12
STATE BK NSW 14 1/4 99 A$	100	110	110¼	+⅛	[illegible]
VOLKSWAGEN INTL 15 94 A$	[illegible]	[illegible]	106½	+⅛	[illegible]
ABBEY NATL TREAS 13 3/8 95 £	[illegible]	[illegible]	106¼	+⅛	[illegible]
BARCLAYS JERSEY 9 1/2 93 £	250	97⅛	97½	+⅛	11.12
BRITISH GAS 12 3/4 95 £	300	105	[illegible]		[illegible]
DEUTSCHE BK FIN 11 94 £	[illegible]	100⅜	100¾		10.79
EIB 10 97 £	[illegible]	96⅞	97¼		10.73
FORD CREDIT FUNDING 9 5/8 93 £	50	96	96½	+⅛	12.00
INTER AMER DEV 11 3/8 95 £	75	102⅛	102⅝	+⅛	10.69
ITALY 10 1/2 14 £	[illegible]	94⅝	95		[illegible]
LAND SECS 9 1/2 07 £	[illegible]	81⅛	81⅝		[illegible]
LEEDS PERMANENT 9 1/4 93 £	[illegible]	[illegible]	96	-⅛	11.75
NORWAY 10 1/2 94 £	[illegible]	[illegible]	99⅛	+⅛	10.84
ROLLS-ROYCE 9 5/8 93 £	[illegible]	[illegible]	96⅛		11.81
SAINSBURY 10 7/8 93 £	100	[illegible]	99⅝	-⅛	11.47
SKANDINAVISKA ENSK 13 1/8 95 £	100	103⅞	104⅛	-⅛	11.79
WORLD BANK 11 1/4 95 £	100	101⅞	102⅛		10.72
ABBEY NATIONAL 0 96 NZ$	100	52⅞	53⅛		12.42
TELECOM NZ O/S FIN 13 1/8 93 NZ$	[illegible]	102⅞	103⅛	+⅛	[illegible]
AIDC 7 7/8 93 FFr	600	96⅛	97⅛	-⅛	9.38
CREDIT LYONNAIS 10 95 FFr	3200	101⅞	102⅛		9.45
EURATOM 7 5/8 98 FFr	500	91⅛	91⅝		9.31

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.07	100.18	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.52	99.60	14.1425
BANCO ROMA 0.03 01	200	91.88	92.88	7.9363
BANCO SANTO SPIRITO 93	200	99.73	99.85	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.09	9.1250
BFCE -0.02 96	350	[illegible]	100.13	7.7925
BNP 05	300	[illegible]	97.90	7.4375
BRITANNIA 1/10 96 £	[illegible]	99.04	99.22	14.1625
CCCE 06 ECU	[illegible]	99.94	100.04	9.4435
CITIZENS FED 0.15 96	[illegible]	99.25	99.75	7.0250
COMMERZBK O/S FIN 93	[illegible]	[illegible]	99.94	6.5625
DENMARK -1/8 96	[illegible]	[illegible]	99.60	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	[illegible]	99.75	9.2188
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption [illegible] bid-price; [illegible] amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ([illegible]) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bond Corp subsidiary in winding up reprieve

By Mark Westfield in Sydney

EUROPEAN bond holders owed a total of US$1bn by [illegible]tralia's teetering Bond Corporation are due to hold their delayed meetings next month to vote on a proposed reconstruction of the group in which they would take about 70 per cent of the equity.

The bond holders were given some hope yesterday that Bond Corp would survive until the meetings when the liquidator to subsidiary J. N. Taylor agreed in an out of court settlement to delay winding up proceedings against Bond Corp Finance, the Bond Corp finance arm. [illegible] J. N. Taylor $180m. When J. N. Taylor was placed in liquidation last year [illegible] also triggered the collapse of Bond Corp.

The J. N. Taylor liquidator, Mr Richard England, agreed yesterday to temporarily with[illegible] his action to [illegible] a provisional liquidator to BCF while he examined BCF's books. He [illegible] agreed to stay his hand until next Friday.

Yesterday's proceedings in the Supreme Court of South Australia, the state in which J. N. Taylor is incorporated, were adjourned until Monday week pending the outcome of Mr England's examination.

He is expected to decide then whether to press ahead with his winding up application against BCF, or take part in the reconstruction.

Bond Corp's largest single creditor, Bell Resources (now known as Australian Consolidated Investments), which is owed $430m, has tentatively agreed to take part in the scheme of arrangements and [illegible] its debt for equity in Bond Corp.

Bond Corp [illegible] director Mr Kim McGrath, said yesterday the company would begin advertising the dates of the bond holders' meetings in European newspapers today.

Convertible bond holders will be asked to meet in [illegible]ndon on M[illegible] 8, the Swiss debt holders in Geneva [illegible] May 16 and the German Eurobond holders in Frankfurt [illegible] May 31.

Queensland opens tenders for banking

QUEENSLAND state has opened tenders for its banking business, which has an annual turnover of more than A$100bn, Reuter reports.

Queensland treasurer Mr Keith De Lacy said the government has decided to invite [illegible]ders for its banking business, which is now handled by the country's central bank, the Reserve Bank, and the Australian government-owned Commonwealth Banking Co[illegible].

"Almost A$9bn is handled through the [illegible] bank accounts each month, so there is a significant incentive [illegible] the institutions," Mr De Lacy said.

The current agreement with the two official banks would end on July 1, and tender documents have been completed, a government official said.

Institutions applying to handle [illegible] regional government's business would need to maintain [illegible] 1,400 departmental accounts, and might be required to handle 2,600 [illegible] operated by [illegible] school administra[illegible].

The successful tenderer will operate a [illegible] agency [illegible] collect government revenue, provide clearing house and direct debiting facilities.

Mr De Lacy said Queensland's present agreement with the Reserve Bank was unsatisfactory. It requires [illegible] government to maintain an interest-free deposit [illegible] the central bank, and some payments to the government [illegible] a month [illegible] reach central offices.

JSDA calls for measures to lure stock investors

THE JAPAN Securities Dealers Association (JSDA) has drafted a report calling for measures to lure individual investors back to the stock market, Reuter reports from Tokyo.

Proposals include the introduction of an investment system where one brokerage house would collect funds on behalf of many individual investors to invest in one listed company.

The introduction of a system where small investors can buy a small amount of shares in a certain company instead of the required 1,000-share minimum trading unit was also proposed, the official said.

The JSDA called for listed companies to cut minimum trading units from 1,000 shares [illegible] 100. It also asked for more stock splits and preferred share [illegible]

INTERNATIONAL CAPITAL MARKETS

Italian bank rule easing prompts 2,562 new outlets

By Haig Simonian in Rome

THE Bank of Italy's liberalised rules on bank branching, introduced at the end of March 1990, have resulted in the green light for [illegible] new bank outlets in the first year alone.

According to the central bank, which previously kept new branch openings in Italy under very tight control, 1,225 of the new outlets are already operative.

Despite the relaxation of the previous system, under which the Bank of Italy [illegible] on requests for new branches at roughly four-year intervals, around a quarter of the applications it received in the past year have been rejected.

Of the 3,789 cases of banks informing the Bank of Italy that they [illegible] units, the central bank [illegible] 912. A further [illegible] requests [illegible] still under consideration at end-March, it [illegible].

As expected, the bulk of the failed applications came from small banks with expansion plans which the Bank of Italy has judged to be too grandiose in relation to their size and [illegible].

● [illegible], the Nomura Securities subsidiary which is Japan's [illegible] capital investor, is taking a 1 per cent stake in Sofipa, the Italian venture capital [illegible].

The investment, Jafco's first initiative in Italy, will come via a capital increase at Rome-based Sofipa, which is raising its fully-paid up share capital to L120bn.

Sofipa, set up in [illegible], has investments with a [illegible] value of L79bn. Two of the [illegible] in which it has invested have gone public in recent years.

Chicago to add fresh dimension to trade

By Barbara Durr in Chicago

THE CHICAGO Mercantile Exchange will launch trading in options on its one-month Libor (London interbank offered rate) futures contract on June 12.

The futures-options will add a fresh dimension to the one-month Libor future, which has become the most successful new contract launched by the exchange since its Standard & Poor's 500 stock index future started trading in 1982.

As of April 15, [illegible] in the Libor futures stood at 15,931 – a record. Trading volume has also steadily increased, with the March monthly total reaching nearly [illegible].

Apart from the Libor futures and the proposed Libor options, the exchange's interest rate products include futures and options on 90-day Treasury bills and Eurodollars. One-month Libor options will be listed on the first three consecutive contract months on June 12, pending approval by the Commodity Futures Trading Commission, the futures industry regulators.

Chile changes the rules for conversion

The central bank has responded to pressure from investors, writes Leslie Crawford

CHILE'S central bank, under pressure from foreign and Chilean investors, has relaxed the rules of its debt-equity conversion programme.

Foreign companies who used debt swaps to invest in Chile can now repatriate capital after three years, instead of the 10 years stipulated in the original debt-conversion contracts.

But those who wish to unlock their investments before 10 years will have to pay a penalty. The central bank says it will charge an exit fee based on the length of time the company has been in Chile, and on the bonus the company gained through the purchase of Chilean debt at a discount on the secondary markets.

The central bank [illegible] will put companies who [illegible] through debt [illegible] known as Chapter XIX of the Compendium of Foreign Exchange Regulations, on an equal footing with foreign [illegible] who brought their own capital into Chile.

The central bank adopted these more [illegible] rules [illegible] large foreign investors are having in trying to pull out of Chile. Carter Holt Harvey, the New Zealand forestry [illegible] is seeking a buyer for its $500m stake in Copec, Chile's largest private industrial group, and Security Pacific, the US bank, has been unable to sell 60 per cent of its Chilean bank.

Both companies were among the first to take advantage of the incentives offered by Chile's debt swap programme. Carter Holt bought into Copec in 1987 with a $161m debt swap.

It later expanded its Chilean holdings in forestry, cellulose production and fishing with $135m of its own resources. It also launched a $1.2bn investment programme with Chile's Angelini group, the other main [illegible] in Copec.

Given that the bulk of [illegible] ments will begin to bear fruit next year, when Copec's $600m [illegible] II cellulose plant comes on [illegible] plans to sell its Chilean [illegible] as a surprise. The [illegible] group [illegible] in February [illegible] would [illegible] the company's debt burden following a [illegible] of acquisitions in Australia and at [illegible].

But under the old Chapter XIX rules, Carter [illegible] plans hit a snag: it had signed a pact with Mr Anacleto Angelini in [illegible] giving his group the first option to purchase Carter Holt's Copec shares if the New [illegible]ers ever decided to pull out of Chile. And by selling to a Chilean group, the proceeds would remain [illegible] in Chile until 1997.

So Copec joined the growing chorus of [illegible] critics against the central bank. "It is grossly unfair to forbid Chileans from taking [illegible] these [illegible]ments," [illegible] Mr [illegible] Antonio Guzman Dumas, Copec's vice-president.

Security Pacific says it is in a different boat. It [illegible] up operations in Santiago in [illegible], converting $68m of Chilean [illegible] it held in its own books. "The subsidy issue therefore [illegible] not arise," [illegible] Mr Rodrigo Muñoz, the general manager [illegible] Security [illegible].

The US bank, which has closed operations in [illegible] European capitals in order to strengthen [illegible] at home, says it would not be pulling out of Chile completely. It [illegible] to sell [illegible] per cent of [illegible] bank's [illegible] employees. This has already been approved by [illegible] regulators.

With [illegible] Chapter XIX rules, both Security Pacific and Carter Holt will be able to unlock their investments in Chile, subject to the central [illegible] fee.

The new rules effectively spell the end of Chile's debt-conversion programme, which [illegible] retired [illegible] of debt over the past six years. For the past year, critics have argued that the usefulness of the scheme had run its course and that the central bank was deliberately blocking Chileans from participating in the country's investment bonanza.

With Chilean debt [illegible] trading at [illegible] 85 [illegible] of par value in the secondary markets, there is very little to gain from Chapter XIX swaps. They have all but ceased. Direct foreign investment, however, totalled over $1.4bn last year.

The [illegible] argued that with so [illegible] pouring [illegible] the country, the central bank could afford to be more flexible in its foreign investment rules. By easing restrictions now, at a time when the country's net international reserves total a record $5.73bn, the central bank will be averting a sudden swell of capital repatriation in the second half of the decade.

Swedish firm packages two junk bond deals

By Tracy Corrigan

A [illegible] management firm, Carlson Investment Management, has completed two deals [illegible] by portfolios of junk bonds and placed with US insurance companies. Further [illegible], to be placed with European investors, are planned.

The US high-yield or junk bonds were repackaged to [illegible] collateralised bond obligations (CBO). The first, a $115m CBO, will be managed by Saudi International Bank. About $85m of senior bonds were placed with [illegible] investors, while $10m of lower-ranked bonds were bought by Saudi. Carlson will hold the remaining equity.

The portfolio yields around 15 per cent, while the new bonds pay interest of just over 10 per cent, providing a substantial cushion for defaults. Although economic recession in the US has increased the level of corporate defaults, many investors now take the view that the worst is over, and are becoming hungry for yield, said Mr Björn Carlson, the president of Carlson Investment Management.

The second deal was a $225m package arranged in conjunction with [illegible] Mutual Life. An [illegible] was placed with US [illegible] companies, with the [illegible] holding the equity. Both [illegible] were rated [illegible] by Moody's and have an expected life of [illegible] years.

● The Chinese government has no plans to float bonds overseas this year because the cost of [illegible] is too high, Reuter reports. The ministry of finance's state debt management department said the development of eastern Europe and post-war reconstruction in the Gulf was likely to increase demand on world capital markets and keep costs for borrowers high.

Aegon in put option move

AEGON, the Dutch insurance company, may lower the price at which investors can convert Swiss franc notes into shares, to discourage them from exercising a put option which falls on June 30, writes Tracy Corrigan.

Investors must give notice of their intention to exercise that put option between May 16 and May 31.

Holders of two convertible issues totalling SFr310m, launched by Swiss Bank Corporation in 1986, are likely to demand early redemption under the put option at par plus a premium of 10.25 per cent for one deal and 11.5 per cent for the other, unless the share price improves substantially by that time.

The share price is currently DFl 130, so conversion at the set price of DFl 126 does not appear attractive.

Roche US unit in $1bn innovative warrant deal

By Simon London

ROCHE Holdings, the US [illegible] of the Swiss pharmaceuticals group, added to the supply of equity-linked paper yesterday, launching an innovative $1bn warrant bond issue.

The deal is Roche's first debt issue in the international market and is structured to protect warrant holders from any serious decline in the share price of the Swiss parent company.

[illegible] at par, each bond pays a coupon of 3½ per cent and was issued with 73 warrants attached. The European-style warrants are exerciseable on May 16, 1994, with each 100 warrants entitling the holder to receive one share. However, holders have the option of taking a SFr7,000 cash [illegible] if Roche [illegible] below this level.

The cost of this protection is [illegible] company has the option of making a SFr10,000 cash payment in place of [illegible]. Hence both the risk and the reward of the warrants are [illegible] by the structure. This is the first time that "bull spread" warrants on the [illegible] of a single company have been issued in the international market.

Lead manager Swiss Bank Corporation said that the minimum annual return was 1.7 per cent and the maximum return [illegible]. Roche [illegible] yield around 0.56 per cent on the Zurich stock market and yesterday [illegible] slightly higher on the day at [illegible].

Participants [illegible] Swiss institutional investors, many of which have [illegible] minimum [illegible] targets under law. SBC also [illegible] to sell paper to retail investors through its branch network.

Issued at par, the bonds were trading at 100.25 bid by late afternoon with syndicate members reporting a good response.

A very different equity-linked transaction was launched by Credit Suisse First Boston for the P.T. Inti Indorayon Utama, an Indonesian pulp and textiles firm.

The [illegible] bond issue is the third by an Indonesian company in the international market. Indorayon is Indonesia's fifth largest company with a market capitalisation of [illegible] $1bn.

However, the deal follows the weak performance of the last convertible deal from an Indonesian company, a $125m deal launched earlier this year by P.T. Astra. Issued at par, Astra bonds were yesterday trading at around 95 bid.

The Indorayon deal will be priced on Monday at an indicated conversion premium of [illegible] and 15 per cent over the current share price. The coupon will be fixed at between 7 per cent and 7[illegible] per cent. The lead manager commented that the [illegible] size of the deal should ensure [illegible] price performance for the bonds, although the issuer hopes to lift the deal to $75m if market conditions allow.

Elsewhere, Sears, the UK retailing group, launched a £100m five-year deal lead managed by Credit Suisse First Boston. The deal will be priced today at an indicated yield spread of 135 basis points over the benchmark UK government bond.

● Sweden has announced a tender offer to buy back up to [illegible] and US bonds [illegible] Brothers. The £250m [illegible] per cent Eurobond maturing 2016 will be bought back at a fixed spread of 60 basis over US Treasuries. Four US issues will also be bought back at a fixed spread over Treasuries. The offer is open to April 24.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
[illegible]	1bn	3½	100	2001	2½/1½	[illegible]
Toyota [illegible]	200	7¾	101.2125	1994	1¾/1.275	[illegible]
Uny Co.(a)♦	150	[illegible]	100	1995	2¼/1½	[illegible] Int.
P.T. Inti Indorayon [illegible]	60	(7-7¼)	100	2006	2½/1½	[illegible]
D-MARKS						
[illegible]	150	8½	101.70	1998	2/1¼	[illegible]
SWISS FRANCS						
[illegible] Finance(a)†	150	[illegible]	102	2001	-	UBS
Republic of Ireland(a)♦♦†	100	[illegible]	100½	2001	-	SBC
Kawamura Electric(a)♦♦†	[illegible]	7⅛	100	1996	-	Dai-Ichi Kgyo.Bk (Schweiz)
YEN						
[illegible]	10bn	7.3	101⅛	1996	1⅞/1.725	[illegible] Int.
[illegible] Int.Fin.BV(a)†	4bn	7	100.825	1994	1⅛/⅞	[illegible]

[illegible] placement. [illegible] ♦With equity [illegible]. ‡Floating [illegible] terms. a) Non-callable. b) [illegible] from [illegible] declining [illegible] per annum until [illegible] 73 warrants. [illegible] on 16/5/94, [illegible] SFr10,000 [illegible] option [illegible] on [illegible] date, [illegible] receive [illegible] in [illegible]

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Apr 17 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Apr 16 Index No.	Mon Apr 15 Index [illegible]	Fri Apr 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	871.85	+0.7	11.20	5.54	10.97	11.55	866.19	873.73	872.31	844.98
2	Building Materials (24)	1128.79	+0.3	11.37	5.49	10.87	8.18	1125.24	1128.87	1130.52	1030.82
3	Contracting, Construction (31)	1387.15	+0.7	10.44	5.67	12.38	21.06	1378.11	1375.71	1378.46	1360.71
4	Electricals (10)	2445.18	+0.5	10.76	5.47	11.84	40.46	2432.50	2464.86	2483.51	2402.84
5	Electronics (26)	1847.32	+1.2	8.48	4.82	15.67	3.31	1824.80	1847.74	1849.04	1769.93
6	Engineering-Aerospace (8)	455.81	+0.2	15.37	5.49	7.86	8.86	454.97	463.44	458.88	440.25
7	Engineering-General (47)	462.68	+0.6	12.39	5.68	9.74	7.96	459.84	461.66	461.63	463.92
8	Metals and Metal Forming (8)	493.13	+1.1	18.50	7.00	6.67	0.59	487.75	491.91	486.86	481.16
9	Motors (13)	352.98	+0.8	12.21	6.77	9.69	9.45	350.19	353.39	352.96	345.45
10	Other Industrial Materials (20)	1544.74	+0.7	9.24	5.26	12.80	28.99	1534.73	1555.00	1547.81	1557.99
21	CONSUMER GROUP (185)	1479.94	+0.9	8.19	3.60	15.01	11.93	1467.02	1475.84	1472.27	1201.18
22	Brewers and Distillers (22)	1808.58	+1.3	8.89	3.58	13.87	14.86	1785.04	1790.47	1784.82	1395.32
25	Food Manufacturing (20)	1208.79	+0.4	9.36	4.03	13.16	15.95	1203.64	1209.60	1204.56	1052.99
26	Food Retailing (16)	2804.91	....	7.80	2.78	16.76	14.42	2805.54	2842.16	2851.63	2241.68
27	Health and Household (21)	3293.05	+1.5	5.79	2.57	19.64	20.72	3245.35	3251.43	3232.92	2511.21
29	Hotels and Leisure (21)	1362.15	+0.8	10.14	5.06	11.60	16.64	1351.68	1355.99	1366.33	1338.96
30	Media (24)	1521.09	+1.5	9.11	4.45	13.82	17.84	1498.49	1519.07	1513.16	0.00
31	Packaging, Paper & Printing (16)	677.01	+0.6	8.25	4.87	15.16	11.00	673.29	679.74	683.94	565.65
34	Stores (34)	930.30	+0.3	8.94	3.88	14.51	2.37	927.56	934.99	929.93	731.20
35	Textiles (11)	537.78	+0.1	9.87	6.00	12.78	3.08	537.13	542.56	542.40	475.89
40	OTHER GROUPS (108)	1227.94	+1.1	9.80	4.92	12.48	9.64	1214.84	1223.94	1215.24	1116.76
41	Business Services (13)	1220.12	+0.5	11.02	4.87	11.11	8.36	1214.32	1218.71	1219.87	0.00
42	Chemicals (21)	1278.19	+1.0	9.15	5.60	12.52	23.86	1265.32	1262.94	1260.86	1180.52
43	Conglomerates (10)	1550.20	+2.0	10.82	6.63	11.05	12.84	1520.48	1546.65	1524.22	1574.79
44	Transport (14)	2212.47	+1.4	11.08	4.67	11.00	25.52	2181.34	2196.38	2203.98	2166.08
45	Electricity (14)	1186.40	+0.5	11.68	5.62	10.72	0.00	1180.25	1184.05	1180.95	0.00
46	Telephone Networks (4)	1466.31	+0.9	9.06	3.41	14.35	0.00	1453.10	1464.46	1453.08	1107.04
47	Water (10)	2532.58	+0.3	13.39	5.53	8.35	39.69	2523.76	2536.12	2512.44	1852.17
48	Miscellaneous (22)	1921.01	+1.4	6.28	4.86	20.24	21.39	1894.74	1918.56	1888.87	1764.33
49	INDUSTRIAL GROUP (480)	1254.37	+0.9	9.32	4.42	13.17	11.34	1243.21	1251.96	1247.26	1099.52
51	Oil & Gas (20)	2480.35	+1.4	10.16	5.37	12.81	40.03	2445.53	2456.65	2416.85	2246.36
59	500 SHARE INDEX (500)	1357.90	+1.0	9.43	4.54	13.12	13.58	1344.90	1353.92	1346.62	1195.11
61	FINANCIAL GROUP (97)	837.60	+0.4	-	5.63	-	17.25	833.92	845.29	842.00	782.81
62	Banks (9)	942.56	+0.9	7.87	5.83	18.36	21.93	934.11	949.85	947.08	831.75
65	Insurance (Life) (7)	1572.32	+0.1	-	5.26	-	41.64	1571.20	1578.32	1557.97	1267.70
66	Insurance (Composite) (6)	682.70	-0.4	-	6.42	-	20.23	685.15	701.88	700.61	642.95
67	Insurance (Brokers) (8)	1202.38	+1.6	6.64	5.59	19.61	20.10	1183.78	1197.16	1178.71	1045.89
68	Merchant Banks (7)	429.60	+0.9	-	4.72	-	4.47	425.75	424.22	424.82	448.01
69	Property (40)	1010.32	....	6.42	4.63	21.23	4.21	1010.49	1021.70	1021.58	1139.72
70	Other Financial (20)	290.70	+0.4	9.48	6.21	12.99	4.41	289.53	288.69	288.62	310.38
71	Investment Trusts (69)	1218.58	+0.3	-	3.37	-	10.94	1214.62	1220.66	1214.06	1144.[illegible]
99	ALL-SHARE INDEX (666)	1230.65	+0.9	-	4.66	-	14.09	1219.96	1229.26	1222.89	1095.00
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10	Year ago
	FT-SE 100 SHARE INDEX‡	2545.0	+25.5	2545.0	2524.5	2519.5	2542.8	2526.1	2531.6	2518.8	2205.9

FIXED INTEREST

	PRICE INDICES	Wed Apr 17	Day's change %	Tue Apr 16	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.53	+0.02	120.51	1.52	3.79
2	5-15 years (30)	130.48	-0.05	130.54	1.06	5.15
3	Over 15 years (8)	138.88	-0.13	139.06	1.76	4.05
4	Irredeemables (6)	155.36	-0.07	155.47	4.05	1.50
5	All stocks (72)	129.71	-0.03	129.75	1.32	4.62
	Index-Linked					
6	Up to 5 years (1)	157.94	....	157.93	-0.26	2.72
7	Over 5 years (10)	146.86	+0.03	146.81	0.50	1.52
8	All stocks (11)	147.72	+0.03	147.68	0.48	1.56
9	Debs & Loans (54)	110.06	+0.02	110.04	2.47	2.65

	AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 17	Tue Apr 16	Year ago (approx.)
	British Government				
1	Low	5 years	9.17	9.18	11.93
2	Coupons	15 years	9.62	9.61	11.58
3	(0%-7¾%)	20 years	9.74	9.73	11.49
4	Medium	5 years	10.26	10.25	13.15
5	Coupons	15 years	10.06	10.04	12.07
6	(8%-10¾%)	20 years	10.00	9.99	11.65
7	High	5 years	10.41	10.39	13.26
8	Coupons	15 years	10.23	10.21	12.37
9	(11%-)	20 years	10.17	10.15	11.91
10	Irredeemables	†	10.00	9.99	11.52
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.75	3.75	4.81
12	Inflation rate 5%	Over 5 yrs.	4.10	4.10	4.21
13	Inflation rate 10%	Up to 5 yrs.	2.85	2.84	3.75
14	Inflation rate 10%	Over 5 yrs.	3.90	3.90	4.02
15	Debs & Loans	5 years	11.86	11.86	16.25
16		15 years	11.64	11.64	14.03
17		25 years	11.43	11.43	13.38

‡Opening index 2535.9; 9 am 2528.3; 10 am 2527.2; 11 am 2532.1; Noon 2532.5; 1 pm 2533.1; 2 pm 2535.4; 2.30 pm 2535.6; 3 pm 2535.6; 4.10 pm 2543.4; (a) 4.30pm (b) 9.21am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of [illegible]tuents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES [illegible] INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	38	37
Corporations, Dominion and Foreign Bonds	3	4	13
Industrials	431	142	968
Financial and Properties	172	[illegible]	4[illegible]
Oils	25	10	[illegible]
Plantations	0	0	[illegible]
Mines	35	13	114
Others	[illegible]	22	[illegible]
Totals	748	300	1,773

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
†	[illegible]	-	61	58	Aberdeen Trust 10p	58		2.5	1.8	5.7	13.1
†	[illegible]	-	33	26	Do. A Warrants 10p	33	+6	-	-	-	-
40	F.P.	-	49	43	Alliance Res. 10p	43		-	-	-	-
100	F.P.	-	109	104	Contra-Cyclical Inv 1p	109		-	-	-	-
50	F.P.	-	56	54½	Do. Zero Div. Prf. 50p	54½		-	-	-	-
25	F.P.	-	26	22½	Do. Capital	26		-	-	-	-
100	F.P.	-	102	100	Drayton Blue Chip Tst.	102		-	-	-	-
100	F.P.	-	106½	105	Do. Zero Prf. £1	106		-	-	-	-
§100	F.P.	-	95	51	‡Eidos 10p	51	-2	-	-	-	-
-	F.P.	-	18	13	‡Europe Energy 5p	14		-	-	-	-
-	F.P.	-	4025	3475	Eurotunnel Fndr. Wrnts.	3613	-12	-	-	-	-
100	F.P.	-	106	104	Geared Income Inv. Tst.	105		-	-	-	-
-	[illegible]	-	165	90	JF Pacific (New Wrnts)	160		-	-	-	-
-	[illegible]	-	9	6	MMI Warrants	9		-	-	-	-
175	100	-	140½	110	National Power	133½	+3	R8.24	2.7	5.3	9.0
175	100	-	140½	112	PowerGen	137	+1	R8.32	2.6	5.2	9.6
50	F.P.	-	45	42	Trio Inv. Trust	42		-	-	-	-
-	F.P.	-	9	6	Do. Warrants	8		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	-	-	86	68	Brent Walker Capital 13pc Cv Cap Bd	80	-3
100p	F.P.	-	115p	95p	Evered Bardon 7.25p (Net) Cnv Rd Pf	103p	+1
‡	36½p	29/11	38p	30p	‡Greencare Group Cv. Rd. Prf. 70p	30p	
35		-	47½	29½	Grosvenor Securities 8pc Cv Ln 2000	44½	
100p	F.P.	-	103p	80p	Lilleshall 9pc Cv. Rd. Prf. £1	102p	
100	F.P.	-	103¾	102	RMC Capital 8¾pc Cnv. Bds. 2006	102¼	-¼
100p	F.P.	-	124p	96p	TT Group 10¾pc Cnv. Red. Prf. 1997	122p	+2
100	F.P.	-	103½	101¾	Tarmac 9½pc Cnv. Cap. Bds. 2006	102¼	-½
100p	F.P.	-	144p	97p	Worcester Cm Rd Cr Pf	125p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
255	Nil	-	50pm	40pm	BPP 10p	43pm	
800	Nil	17/5	155pm	94pm	Bass	110pm	
220	Nil	-	30pm	13pm	Bellway	13pm	-2
255	Nil	31/5	75pm	60pm	Berkeley Group	75pm	
5	Nil	-	6pm	5pm	de Morgan 5p	5pm	
265	Nil	-	64pm	60pm	EIS Group	61pm	
157	Nil	-	5pm	2pm	F & C Eurotrust	4pm	
IR£2.75	Nil	-	½pm	¼pm	Gaelic Resources	½pm	
155	Nil	25/4	50pm	32pm	Hartstone 10p	49pm	
90	Nil	-	17pm	7½pm	Ibstock Johnsen	10pm	+1
[illegible]	Nil	-	40pm	[illegible]	Morgan Crucible	20pm	
[illegible]	Nil	24/5	21pm	[illegible]	Nat. Australia Bank A$1	19pm	+2
[illegible]	Nil	-	48pm	[illegible]	Ocean Group	36pm	+1
56	Nil	-	35½pm	22pm	Owners Abroad 3p	33pm	+6
[illegible]	Nil	9/5	38pm	28pm	Persimmon 10p	32pm	
10	Nil	8/5	11½pm	5pm	Saatchi & Saatchi 10p	8½pm	
200	Nil	10/5	52pm	21pm	Sage 5p	51pm	+½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. $ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings April 8
- Last Dealings April 19
- Last Declarations July 11
- For settlement July 22

For rate indications see end of London Share Service

Calls in Aviva Pet., Berisford Intl., Brent Walker, Budgens, Eurotunnel ord., Monument Oil & Gas, More O'Ferrall, Pilkington, Premier Cons. and Tuskar Res. Put and call in Hardanger Props.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons	[illegible]	52	34	46	2	14	19
([illegible])	[illegible]	6	24	38	16	37	43
	[illegible]	-	9	20	63	75	77
ASDA	120	9	16	19	¼	4	7
(*128)	130	2½	10	13	4	7½	11
	140	1	5½	8	13	15	17
Brit. Airways	140	[illegible]	[illegible]	26	1	5½	[illegible]
(*160)	160	[illegible]	[illegible]	15	4½	14	16
	180	¼	4½	[illegible]	22	30	32
SmKl Beecham A	750	80	100	[illegible]	1½	10	17
(*828)	800	30	65	[illegible]	4	25	32
	850	-	35	58	-	45	55
Boots	330	33	41	48	1	4½	7
(*364)	360	25	34	46	½	12	14
	390	4	16	30	11	24	28
B.P.	330	28	36	42	1	5½	10
([illegible])	[illegible]	[illegible]	18	[illegible]	8	27	[illegible]
	390	1	[illegible]	12	35	37	38
British Steel	130	12	[illegible]	18	1	5	7
(*141)	140	3½	6½	12	2½	9½	11
	160	1	3	5	20	25	26
Bass	929	35	67	68	5	30	39
([illegible])	977	5	43	72	27	52	63
	1026	1½	26	52	73	87	93
C & Wire	500	48	60	77	1	13	17
([illegible])	550	7	31	48	15	30	38
	600	1	-	-	[illegible]	-	-
Courtaulds	360	35	40	52	1	9	12
(*392)	390	8	22	34	5½	20	24
	420	1½	11	21	30	41	43
Com. Union	460	59	76	80	1	5	10
(*517)	500	20	45	53	1½	16	25
	550	2	19	29	35	42	50
Fisons	420	60	74	88	1	5	7
(*481)	460	21	44	58	2	12	18
	500	2	21	35	24	32	36
GKN	360	15	37	40	3	14	22
([illegible])	390	3	19	26	20	28	37
	420	½	-	-	50	-	-
Grand Met.	750	62	88	110	1½	14	23
(*809)	800	16	55	79	8	35	43
	850	3	30	54	[illegible]	60	70
I.C.I.	1000	70	112	120	1½	18	33
([illegible])	1050	25	80	95	8	33	50
	1100	4	50	70	39	57	77
Kingfisher	420	71	79	[illegible]	1	[illegible]	12
(*489)	460	31	49	62	2	16	23
	500	36	29	41	22	36	42
Ladbroke	260	20	31	42	2	9	14
(*279)	280	6½	20	31	7½	17	24
	300	1½	11	20	23	30	34
Land Secur	500	43	53	60	1½	8	14
(*540)	550	4	17	31	15	33	36
	600	1	5½	14	62	73	77
M & S	240	19	24	33	1	6½	8½
(*258)	260	3½	13	21	6	15	18
Sainsbury	360	17	30	[illegible]	1½	10	15
(*376)	390	1½	15	26	17	24	28
Shell Trans.	500	28	43	53	3	13	19
(*518)	550	2	17	28	35	41	43
Storehouse	110	11	15	19	2	5	8
(*120)	120	3½	10	13	4½	9	11
Trafalgar	240	18	26	37	[illegible]	16	21
(*255)	260	4	18	26	10	25	32

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits	360	27	42	52	1	6	9
([illegible])	390	2½	22	33	8	16	20
Unilever	750	20	52	78	5	21	29
([illegible])	800	2	30	50	42	50	55
Ultramar	300	30	42	50	2	6	11
([illegible])	330	5½	23	30	9	16	23
Option		**May**			**May**		
Elec. Pkg.	1850	250	-	-	[illegible]	-	-
(*2050)	1900	195	-	-	50	-	-
Southern Elec	180	24	-	-	1½	-	-
([illegible])	200	9	-	-	8	-	-
Option		**May**	**Aug**	**Nov**	**May**	**Aug**	**Nov**
Brit Aero	600	52	75	87	10	20	29
([illegible])	650	21	46	[illegible]	28	40	49
BAA	420	34	45	[illegible]	7	18	20
(*442)	460	12	24	37	25	37	42
[illegible]	700	38	[illegible]	70	14	33	42
(*717)	750	14	33	45	43	58	68
BTR	390	25	42	47	8	16	21
(*405)	420	10	26	32	23	27	35
Brit. Telecom	360	17	26	35	7	17	20
(*366)	390	3½	11½	20	26	33	36
Cadbury Sch	390	19	35	43	10	17	21
(*396)	420	6	19	28	29	35	35
Eastern Elec	180	14	18	20	5	14	16
(*188)	200	5	9½	11	15	25	26
Guinness	900	46	[illegible]	98	17	30	37
(*922)	950	22	52	72	43	55	60
GEC	200	13	[illegible]	21	[illegible]	[illegible]	13
(*206)	220	2½	7½	12	18	24	26
Hanson	220	11	18	24	4½	9	12½
(*224)	240	3	8½	14½	18	22	23
LASMO	360	18	33	45	13	22	24
(*365)	390	[illegible]	19	30	34	38	40
Lucas Inds	160	12	19	25	6	10	14
(*165)	180	4	10	15	20	22	25
P. & O.	600	20	44	52	20	30	41
([illegible])	650	6	23	30	57	60	72
Pilkington	200	15	21	26	6	16	18
(*207)	220	6	12½	17	18	24	26
Prudential	240	17	26	31	5½	[illegible]	14
(*249)	260	5½	15	20	15	19	23
Racal	240	14	23	31	11	16	19
(*241)	260	6	13	20	23	28	31
R.T.Z.	500	57	75	84	4½	10	17
(*546)	550	21	43	54	22	27	35
Scot. & New	360	34	43	50	4	12	14
(*383)	390	14	25	32	16	26	30
Tesco	280	12	23	28	7	11	13
(*284)	300	4	13	20	20	22	24
Thames	300	23	28	32	5½	13	15
([illegible])	330	6	12	17	20	31	32
Option		**Apr**	**Jul**		**Apr**	**Jul**	
STC	300	-	-	-	¼	¼	-
(*320)	330	¼	-	-	-	-	-
Option		**Jun**	**Sep**	**Dec**	**Jun**	**Sep**	**Dec**
Abbey Nat.	260	30	35	43	3½	7	8½
(*283)	280	16	22	31	11	14	16
Amstrad	70	12	18	20	1½	5	6
(*79)	[illegible]	[illegible]	11	15½	5½	[illegible]	11
Barclays	460	29	40	52	17	27	32
(*465)	500	12	23	30	42	50	53

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
[illegible]	260	[illegible]	19	26	19	24	26
([illegible])	280	5½	11½	19	33	36	38
British Gas	240	[illegible]	23	28	4½	11	[illegible]
([illegible])	260	8½	11	16	14	23	24
Dixons	180	22	25	31	6	11	13
(*192)	200	10	15	19	15	22	23
Eurotunnel	460	53	75	97	27	37	48
([illegible])	500	32	53	75	48	60	67
Glaxo	1050	89	122	137	[illegible]	36	44
(*1099)	1100	55	90	107	40	57	63
Hawker Sidd.	550	57	72	80	19	29	37
(*593)	600	27	48	57	42	53	60
[illegible]	260	14	24	30	17	21	29
(*261)	280	6	14	22	31	33	37
Lonrho	260	28	32	40	6	11	14
(*277)	280	13	22	29	15	22	24
[illegible]	220	23	29	37	10	16	20
(*229)	240	12	19	27	20	26	30
National Power	130	11	13½	-	5	9½	-
(*135)	140	6	8½	-	10	15½	-
Reuters	850	80	108	132	35	53	65
([illegible])	900	53	83	108	60	78	88
[illegible]	160	18	23	27	5	8	10
(*170)	180	6½	12	17	14	17	19
Sears	90	6	8	10	6½	7½	8½
(*92)	100	2	4½	6	13	14	15
THF	260	19	25	31	10	16	18
(*272)	280	7½	16	20	24	27	30
Thorn EMI	700	56	60	68	12	31	35
([illegible])	750	26	32	45	36	57	61
TSB	140	23	25	29	2	4	5
(*150)	160	8	13	16	8½	10½	13
[illegible]	50	10	12	14	3½	5½	6½
(*356)	60	4	7	9½	8	11	12
Wellcome	500	65	85	99	12	21	28
(*549)	550	35	55	[illegible]	33	42	47

EURO FT-SE INDEX (*2543)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Apr	179	130	83	45	19	8	-	-
May	200	157	115	79	52	32	19	-
Jun	-	176	-	104	-	54	-	22
Sep	-	240	-	170	-	115	-	75
Dec	-	282	-	225	-	165	-	125
Mar	-	335	-	270	-	215	-	170
PUTS								
Apr	2	4	9	20	45	82	-	-
May	13	17	27	40	62	92	162	-
Jun	-	25	-	52	-	98	-	165
Sep	-	55	-	80	-	120	-	170
Dec	-	67	-	95	-	135	-	185
Mar	-	77	-	120	-	145	-	190

FT-SE INDEX (*2543)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Apr	207	159	110	65	28	10	2	-
May	223	178	135	97	65	40	[illegible]	-
Jun	240	197	159	122	[illegible]	64	[illegible]	28
Jul	260	220	181	146	115	87	[illegible]	-
Dec †	-	298	-	230	-	168	-	120
PUTS								
Apr	1½	2½	5	12½	30	62	110	-
May	8	13	21	35	55	83	118	-
Jun	15	20	[illegible]	45	68	95	127	165
Jul	22	30	-	58	78	105	137	-
Dec †	-	60	-	92	-	140	-	190

April [illegible] Total Contracts 32,808
Calls 25,969 Puts [illegible]
FT-SE Index Calls [illegible] Puts 1,579
Euro FT-SE Calls 615 Puts 507
*Underlying security price. † Long dated expiry months. Premiums shown are based on offer prices.

Call for £24.8m adds to growing list of companies in the sector opting for rights issues

74% contraction to £6.8m at Higgs and Hill

By Andrew Taylor, Construction Correspon[illegible]

HIGGS AND Hill yesterday became the latest British construction company to announce a rights issue. So far this year construction and property groups have called for more than £700m in 11 rights issues.

Higgs, which also unveiled a 74 per cent fall in pre-tax profits last year to £6.84m, is seeking to raise £24.8m. It is offering shareholders two shares at 260p each for every seven already owned.

Higgs' share price fell from 340p to 332p following the announcement.

At the beginning of 1991 the company's shares stood at 264p.

Sir Brian Hill, chairman, said the cash from the rights issue would be used to invest in commercial property in continental Europe; expand the company's recently formed UK civil and water engineering business; buy more land for UK housebuilding; and for seedcorn investment [illegible] age construction in eastern Europe.

Higgs [illegible] had just received a letter of intent for a £50m contract to [illegible]op the Hotel Praha in Prague into a five-star Hyatt Regency Hotel. It was the first private sector order to be won by the company's recently established Prague office.

Sir Brian: First private order win for Prague office

Sir Brian said the group was also considering two small acquisitions by its civil and water division. He added: "It is better to take advantage of our share price now and raise money through a rights issue, rather than wait until we have specific deals to announce and maybe have to raise loans instead."

At the end of last year Higgs had net debts of £18m – equivalent to 20 per cent of shareholders' funds. In addition, it has guaranteed about £5m of borrowings out of total debts of £31m in two joint-venture property companies.

Sir Brian warned that a recovery prompted by lower interest rates would take time to work through and that trading would remain difficult this year.

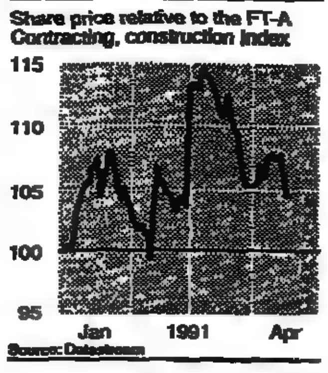
Pre-tax profits in 1990 [illegible] from £26.55m to £6.84m, [illegible] first decline in a decade. The figures included provisions of £7.37m against possible future losses, principally against three of the group's housebuilding sites acquired in 1987 and 1988 when the housebuilding boom was its peak.

Turnover rose to £487.98m (£419.13m) and earnings worked through down at 10.2p (52.2p).

The collapse of the UK commercial property market has also led the group to write down, by £5.4m, the value of its commercial property investments against reserves. This included a write-down against the group's joint venture, Shipgates retail centre in Bolton, previously classed as a trade investment.

Higgs and Hill

Share price relative to the FT-A Contracting, construction index



Source: Datastream

The taxable profits would have been even lower if Shipgates had not been re-classified.

[illegible] first six months of last year were reduced by a £4.1m provision against Shipgates.

In the event, commercial property profits, despite solid performances from France and Spain, fell to £4.48m (£12.12m). Construction profits also fell, to £8.28m (£8.57m). Housebuilding in the UK saw a decline to £1.45m (£7.08m).

Higgs is proposing a [illegible] final dividend of 14p [illegible] for a maintained total [illegible] forecasts a similar pay-out this year on the enlarged share [illegible]ital.

● COMMENT

A discount of 19 per cent and a yield of 8 per cent on an ex-rights price of 322p should ensure that the issue will be a success. The yield rises to 10 per cent on the issue price of 260p. There are, however, better recovery stocks around. The group which has the reputation of being one of the UK's best contractors will on its own admission continue to struggle this year. Construction margins and orders should continue to dwindle in the face of the flight by investors from UK commercial property. Higgs and Hill by comparison is not strong in UK housebuilding which is likely to be one the first sectors out of the recession. Commercial property may be stronger in continental Europe but has lost some of its shine as interest rates have risen. Profits could be about £8m this year. The company is safe and secure but is unlikely to prompt a rush to buy at this stage of its development.

ADT shares rise on Laidlaw peace plan

By Richard Gourlay

ADT, the Bermuda-based security and car auction [illegible] saw its shares rise yes[illegible] following a peace agree[illegible] late on Tuesday with its main shareholder, Laidlaw of [illegible] that has led to a shake-up of the board.

The shares rose 5p to 89p.

Analysts said investors were encouraged that ADT was now more likely to be run as a service group focused on its core businesses. The agreement, which involves Laidlaw dropping allegations of fraud in a New York court, means Mr Michael Ashcroft, ADT chairman and chief executive, and four other ADT insiders will be outnumbered on the board by four independent and four Laidlaw-nominated directors.

"If you believe ADT is now going to be a straight operating company and that asset shuffling and stake building are to end, the market will give the company a higher p/e," said Mr Mark Shepperd, analyst at UBS Phillips & Drew.

The market appeared to believe that ADT was less likely [illegible] fly off at a tangent with investments like those in Christies International, the auction group, and BAA, the former British Airports Authority.

ADT is faced with a £40m paper loss on its 24 per cent stake in Christies and still holds a 4 per cent stake in BAA after it sold a similar stake last December.

The new board might also recommend the [illegible] of some of these non-core in[illegible]ments, though ADT also [illegible] per cent stake in the Lep Group which has a significant US security business in addition to freight forwarding.

Laidlaw insists it has only withdrawn, not dropped, its case against ADT and that investigations into the alleged fraud will continue through an audit committee set up by the new independent directors.

The decision to remove the conflict from the public gaze would help protect Laidlaw's 28.4 per cent stake in ADT on which it is currently facing a $400m paper loss, analysts said.

Fitter Britons cause 9% downturn at Great Southern

By Peter Franklin

GREAT SOUTHERN Group, the USM-quoted funeral direc[illegible] suffered a 9 per cent downturn in pre-tax profits in 1990, reflecting a 14 per cent decline in the national mortality rate.

The resulting fall in sales of funeral and cremation services left the t[illegible]able outcome [illegible] £3.22m, down from £3.54m last time. The setback came in spite of an overall gain in market share.

Turnover increased from £22.13m to £25.14m, and operating profits rose 5 per cent from £4.92m to £5.18m.

Mr Eric Spencer, deputy chairman and chief executive, said that high interest rates and the depressed property [illegible]t were continuing to [illegible] profit and debt levels.

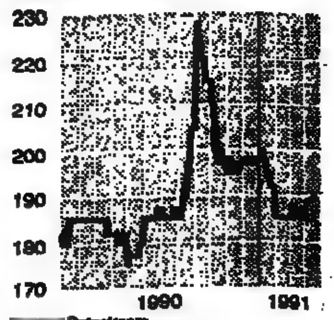
Borrowings at the year-end stood at some £12.97m, leaving gearing almost unchanged at 114 per cent. It was hoped to reduce this to less than 100 per cent by the end of 1991, he said. The interest charge rose from £1.87m to £1.97m.

During the year a number of properties had been sold, realising some £688,000, although following a rationalisation programme the company still had premises for disposal with a book value of about £1.75m.

Mr Spencer added that goodwill arising on past acquisitions totalling £15.4m had been written off to reserves. If this figure was added back to the balance sheet, gearing would stand at below 50 per cent, he said.

Great Southern Group

Share price (pence)



[illegible] Datastream

The bulk of the profits came from the funeral services side, where four acquisitions had been made in the year. Profits from this activity rose from £3.57m to £3.8m.

[illegible]rematoria and cemeteries put in £1.1m (£1.01m), while the contribution from ancillary services fell from £339,000 to £288,000.

Chosen Heritage, Great Southern's pre-paid funeral plan, continued to grow, and total plans sold now total more than 30,000 with a face value of some £19m.

A final dividend of 5.5p is proposed, making a total for the year of 8.5p (8p) and comes from earnings per share of 13.9p (16.9p).

TT launches £6.8m hostile bid for Magnetic Materials

By Jane Fuller

TT GROUP, the industrial holding company which last year won a five-month battle for Crystalate, has launched a £6.8m hostile bid for Magnetic Materials, the USM-quoted maker of magnetic components.

The 37p per share bid was rejected by Magnetic yesterday as "derisory, unsolicited, unwelcome and totally inadequate".

It was below the market price, which closed down 2p at 41p, and at a substantial discount to last June's net asset value of 61.8p per share.

More than 40 per cent of Magnetic's shares lie in the hands of Mr Eduard Michaelis, the non-executive deputy chairman, and his family. Mr Michaelis, who will be 90 on May 19, was replaced as chairman by Mr George Doust in January.

The company's pre-tax profit fell to £220,000 (£704,000) in the six months to December 31 on turnover of £7.3m (£8.3m). Mr John Emmanuel, chief executive, said yesterday that things were "coming right" and the management was confident about the future.

TT already controls 16.2 per cent of the equity, having bought a 9.4 per cent stake at 37p on Tuesday, 2p above this year's low point.

Mr Nicholas Shipp, a TT director, described the market price of the shares as notional because [illegible] little trade.

He said Magnetic was providing a dismal return on net assets of about £11m. It had a similar customer base to Crystalate, the maker of electronic components acquired in a £34m deal completed last September.

TT, which increased pre-tax profit by 25 per cent to £10.5m in 1990 on sales of £100.3m, had year-end gearing of 40 per cent, which would rise to 50 per cent if the Magnetic bid went through at the current offer price.

In November, TT raised £9.7m in an issue of convertible preference shares. Its market value at yesterday's closing price of 134p was £95.2m.

Panel gives Empire more time to issue defence

By Maggie Urry

EMPIRE [illegible] Group, the mail order [illegible] fighting a [illegible] takeover bid from Redoute Catalogue, a French [illegible] group, has had to delay publication of its defence document because of a technical omission on the bidder's side.

The defence document should have been posted yesterday but the Takeover Panel has given Empire until Monday April 22 to send it out.

Redoute Catalogue, part of the La Redoute retail group which is in turn 54 per cent owned by Au Printemps, had failed to mention an agreement between Au Printemps and Gecos, an Italian supermarket company with a 24.2 per cent stake in Empire, covering the two companies' shareholdings in its offer document published two weeks ago.

The agreement was made in February 1989 and Redoute had thought it had fallen into disuse. Redoute and Gecos have now agreed that the agreement has ceased to have effect.

Empire's shares were unchanged yesterday at 128p, 1p above the final 125p per share cash offer. The chance of a white knight appearing seems slim as Redoute has 37.8 per cent of Empire's shares and could block a rival bidder from gaining full control.

Empire's shareholders appear to have a choice between accepting the cash or keeping the group independent with a large minority holder.

Copymore rises to [illegible]0.9m in worsening [illegible]nditions

By [illegible] Watkins

PRE-TAX profits at Copymore, the USM-quoted office equip[illegible] supplier, [illegible] from £142,000 to £931,000 during 1990. [illegible] improved by £1m to £29.52m.

Under worsening market conditions, measures to restore profitability included centralising management and administration, tighter controls on working capital and the reduction and restructuring of borrowings.

The two small regional dealerships acquired in March 1990 had increased the company's installed base to 22,000 machines. Both traded profitably but the writing down of goodwill reduced retained earnings by £530,000.

Mr Stephen Matthews, chairman, said "the group remains fundamentally strong and optimistic", having made an encouraging start to the current year.

An extraordinary loss of £225,000 represented the discontinuation of two underperforming business lines.

Earnings per share rose from 0.8p to 4.9p. A proposed final dividend of 1.7p [illegible]aves the total unchanged at 2.5p.

Borrowings at the year-end totalled £3.4m (£5.1m).

NEWS DIGEST

Le Creuset serves up 18% more

LE CREUSET, the French-based cookware group which came to the USM in July [illegible] yesterday unveiled taxable profits ahead 18 per cent for 1990.

The increase from £2.67m to £3.16m slightly exceeded analysts' expectations. It came on turnover raised modestly to £32.29m (£31.09m) and after interest charges of £685,000, down from £793,000 last time.

The group, famed for its wrist-wrenching cast-iron pots and pans, recently purchased Hallen International, a US corkscrew manufacturer, for $6.75m (£3.77m).

Earnings per share emerged at 13.1p (12.6p) and a proposed final dividend of FFr0.26 brings the total for the year to FFr0.39. A single distribution of FFr0.24 was paid in the previous year.

The shares were unchanged at 182p. The placing price in 1989 was 135p.

Densitron Intl halved to £0.59m

Pre-tax profits of Densitron International, the electronics group, halved from £1.11m to £587,000 in 1990.

The company said that profits had been adversely affected by losses, now checked, in the microwave operation and by a fall-off in business with east European countries.

[illegible] fell from 3.6p to 1.83p and the recommended final dividend is cut to 1p (1.65p) making 1.7p (2.35p) for the year.

Turnover was slightly lower at £38.96m (£39.32m) and the taxable result came after an exceptional £114,000 credit, being the gain realised on repayment of an overseas loan.

Eidos loss lower than forecast

Eidos, engaged in electronic data processing equipment, incurred a pre-tax loss of £61,000 for 1990. The company joined the USM in December with forecast losses of £153,000.

The company said the reduced loss was a result of being able to delay a proportion of anticipated overheads. The company is also writing off goodwill of £116,400 that arose on the purchase of Desk Top One.

Losses per share worked through at 2.76p.

Prestwick swings into the red

[illegible] Holdings, the printed [illegible] board manufacturer, swung into a deficit of [illegible]41,000 in the six months to January 31.

The outcome, which compared with profits of £527,000 at the interim stage last time and £1.2m for the full year, was struck after an exceptional charge of £345,000 related to reorganisation costs.

Mr Wayne Osman, chief executive, said that the losses were incurred in the first quarter and that the Scottish-based group had returned to the black in the second quarter.

Gearing at the year-end was 11 per cent.

[illegible] amounted to £11.89m (£18.66m). The interim dividend is maintained at 0.5p from losses of 3.5p per share (earnings of 1.5p).

Storm Group on target

Storm Group, owner of the Shoe People cartoon characters, returned profits of £369,000 pre-tax for the period October 17 1989 to December 31 1990.

Although that was down on the £400,000 forecast at the time of the company's USM flotation in December 1989, the figures included losses of businesses which were acquired and started up in the final quarter of 1990 which did not form part of the forecast.

Excluding the two companies, profits before tax for the year to December 31 amounted to £402,000. Earnings per share of 0.68p compared with a 0.62p forecast. Turnover totalled £985,000 and profits included interest income of £253,000.

At the year-end Storm had net cash of £1.4m.

Losses increase at Millicom

Losses increased from $44.42m to $57.94m (£32.55m) in the year to December 31 at Millicom, the US-based telecommunications business quoted on the USM.

Revenue from sales and services surged from $25.15m to $59.56m, but cost and expenses took $143,777 ($93,485). There was a gain of $7,700 (nil) representing the disposal of its cellular interests, but interest expense came to $11.54m ($4.34m).

[illegible] per common share for the 12 months [illegible] to $3.51 ($8.09).

هدية من الأهرام

UK COMPANY NEWS

River & Merc Extra launches £16m cash call

By Philip Coggan, Personal Finance Editor

RIVER [illegible] Mercantile Extra Income Trust, [illegible] split capital investment trust, is making a rights [illegible] to shareholders in an attempt to [illegible] £15.9m.

The offer represents the latest attempt by an investment trust to exploit the fact that its shares are trading [illegible] premium to net [illegible]. Trusts cannot make rights issues when the shares are at a discount, without further diluting net [illegible] share.

Shareholders [illegible] being offered one new share [illegible] for every [illegible] they hold, although they will be able [illegible] apply for excess shares. The issue is not being underwritten and there will be no trading in nil paid rights.

If the rights are not taken up in full, the trust may attempt to place the excess shares in the market, or issue unused shares to new PEP investors. The total number of new shares that will be issued will not exceed 15m.

The net asset value of the trust was 105.95p per share as of April 11, compared with 103.47p per share fully diluted at the end of March. Net revenue in the six months to March 31 fell to £944,000 (£1.65m) and earnings per share were 3.15p (5.48p).

The second interim dividend is 1.96875p (1.875p) and at the offer price for the rights shares, the prospective gross annual dividend yield is 9.9 per cent.

The Extra Income Trust has, in addition to its ordinary shares, a class of zero coupon debenture stock which was issued at a discount and is repayable at par.

The rights offer will, depending on the take-up, reduce the gearing of the ordinary shares by lowering the growth rate in assets needed to repay the debenture stock.

The shares were unchanged at 110p.

Radio City shares jump 32p on bid approach

By Jane Fuller

RADIO CITY (Sound of Merseyside), the USM-quoted commercial radio company based in Liverpool, has been approached by [illegible] potential bidder.

Yesterday's announcement [illegible] rise in the A share price from 219p to [illegible] in little more than a week, and sparked [illegible] surge [illegible] 301p. This valued the [illegible] non-voting [illegible] shares at £6.6m. There are also 400,000 ordinary shares, of which about 30 per [illegible] held by Mr Terry Smith, [illegible]aging director, and other board members.

Radio City's pre-[illegible] profit fell to £880,000 (£1.3m) on sales of £4.1m (£4.3m) in the year to September. The launch of a new station, City Talk, was a factor behind the dwindling of cash held to £5,000 [illegible].

Other shareholders include Capital Radio with 5.9 per cent, Higsons Brewery with 10 per [illegible] and GMWU general [illegible] union with 6.6 per cent.

Excalibur to lose finance director

Excalibur Group, the jewellery maker and precision engineer, said that Mr Stephen Fox, its finance director, would resign once the annual report for the year to end-April is completed, writes Maggie Urry.

Mr Michael Griffiths, chairman, said that Mr Fox's departure was friendly. Mr Fox joined the group when he sold his private business, [illegible] Engineering, to Excalibur. [illegible] Mr Fox wants [illegible] go back to running [illegible] business himself.

Moving fees knock 14% off Bentalls

By Steven Watkins

BENTALLS, which [illegible] six department [illegible] the south-east, announced pre-tax profits down 14 per cent from £3.86m [illegible] in [illegible] 53 weeks to February 2 1991 – [illegible] year which saw [illegible] new location for the flagship store and headquarters.

After steps to maintain margins, [illegible] operating profits [illegible] improvement.

Mr [illegible] Peacock, managing [illegible] of department stores, expressed [illegible] optimism for [illegible] current year.

Sal[illegible] last year fell [illegible] £70.73m (£71.85m).

In addition to the general retail downturn, sales at the new, smaller, store in Kingston-upon-Thames, a catchment area usually accounting for more than half group turnover, were affected by building works and competition from a new John Lewis branch.

Costs included fitting out the Kingston store (£13.5m net) and an extraordinary charge of £1.4m for the move.

Bentalls is a partner to Norwich Union in a shopping centre development at Kingston, to be [illegible] September 1992.

Its contribution is being financed by a long-term loan facility of £25m from Na[illegible], of which £18m has been drawn down to date.

The company [illegible] stake in [illegible] project's rental income, to be derived from the 100 letting units. This is expected to exceed [illegible] guaranteed £1.65m per [illegible], coming closer to [illegible].

Property [illegible] put the company's [illegible] property at £75.9m, of which [illegible] discounted value of the Bentall Centre project [illegible] £33.5m.

This increases shareholders' funds to £70.5m (£25.75m) and raises net [illegible] value from 62p to 169p per ordinary share.

The proposed final dividend of 3.25p [illegible] the total [illegible] at 3.85p on reduced [illegible] share [illegible] 4.87p (5.59p).

Gearing up in preparation for a change of culture

James Buxton considers the prospects for Scottish Hydro-Electric as privatisation nears

BOTH nature and the privatisation process have been bountiful to Scottish Hydro-Electric, and agile management is making the most of that endowment. The consequence is one of the more attractive companies the government has ever brought to flotation.

Hydro-Electric is easily the smaller of the two vertically integrated Scottish electricity companies, generating, transmitting and distributing power, which are to be floated at the end of May.

It serves the northern two-thirds of Scotland, a quarter of the UK landmass but with only 600,000 domestic customers. A low 18 per cent of its £485m [illegible] comes from industrial users. That might not seem [illegible] very promising [illegible] a successful electricity company.

Until privatisation loomed Hydro-Electric concealed its promise. As the junior partner of the much larger Scottish Power, which called the shots in Scottish electricity, it tended its network of 53 dams and their related hydro-electric power stations in the Highlands, but also built a large power station at Peterhead which can be run on either gas or oil.

It saw itself as a utility with a social function, taking power up the glens and out to the islands, though the bulk of its customers live in Aberdeen and Dundee. It had an agreeable public image which persists to this day, and which few other electricity companies in Britain can match.

The run-up to privatisation brought separation from Scottish Power and [illegible] swapping of generating assets. In the new British electricity industry, in [illegible] generators [illegible] Scotland's ample surplus capacity [illegible] now available [illegible] England, Hydro-Electric is well placed.

[illegible] advantages: in [illegible] generation [illegible] of generating capacity includes [illegible] of hydro-electric plant, highly dependent on [illegible] operating at with zero marginal cost. Hydro-Electric has access to Scottish [illegible] nuclear plants [illegible] of Scottish [illegible] coal-fired capacity.

Roger Young: put together a new management team

[illegible] is being adapted [illegible] relatively cheap [illegible] from British Petroleum's [illegible] in [illegible] North [illegible] between 50 [illegible] 70 [illegible] 1,300MW output is committed [illegible] to Scottish Power.

This [illegible] flexible mix [illegible] power [illegible] enables Hydro-Electric to offer the low[illegible] domestic tariffs in the UK and competitive tariffs [illegible] industrial customers.

[illegible] it [illegible] relatively few industrial [illegible] taking [illegible] than [illegible] it [illegible] little threat from other generators [illegible] last [illegible] lost only [illegible] per [illegible] industrial [illegible].

[illegible] retirement [illegible] most [illegible] the former management enabled Mr Roger Young, the chief [illegible] who [illegible] Hydro-Electric from [illegible] manufacturing company Low [illegible] Bonar, to [illegible] an almost entirely new senior manage[illegible] mainly from the private sector.

With the help of consultants [illegible] on a big reorganisation, aimed [illegible] switching Hydro-Electric from being [illegible] state-owned utility to a profit-oriented [illegible].

[illegible] difficult [illegible] culture, given Hydro-Electric's background, was helped by [illegible] fact that [illegible] a relatively [illegible] organisation, employing only [illegible] people, a number which [illegible] than [illegible] English regional electricity companies.

Roger Young, an affable but intensely determined [illegible], perceived from [illegible] Hydro-Electric's growth would [illegible] come [illegible] own relatively small area, where power [illegible]sumption is likely [illegible] by [illegible] 1.5 [illegible] 2 per [illegible] a year.

Hydro-Electric was quicker [illegible] some companies in adapting [illegible] the new power trading regime in England and Wales when it began a year ago, and also achieved a coup by signing an options contract with BOC, the industrial [illegible], as well [illegible] Wiggins Teape, the paper manufacturer.

SCOTTISH PRIVATISATION

Power sales to England have added about 11 per cent to Hydro-Electric's sales in terms of volume and may be worth an extra £50m on top of expec[illegible] 1990/91 [illegible] to its own [illegible] £430m.

But as with Scottish Power, [illegible] its surplus capac[illegible] limited by [illegible] of the interconnecting power lines to England, with only 300MW of capacity available to Hydro-Electric. Although planning permission [illegible] being sought [illegible] the [illegible] interconnector, which would give Hydro-Electric an extra 500MW of export capacity, [illegible] has [illegible] plans to develop south of the border.

Its most promising project is [illegible] planned 51 per cent stake in [illegible] combined cycle [illegible] turbine plant [illegible] built [illegible] near Scunthorpe, in partnership with Energy Resources, a north of England company.

So far financial backing, gas supply and customers have not been announced but Hydro-Electric believes the £300m scheme will go ahead.

The Keadby project has overtaken the Neptune project for a 1,000MW plant on Teesside, where Hydro-Electric [illegible] involved with Northern Electric (BOC recently pulled [illegible] it). If Keadby goes ahead and [illegible] interconnector [illegible] Hydro-Electric could in five years time be selling as much power in England as in [illegible]land.

It is from England that mos[illegible] growth in Hydro-Electric's profits is likely to come. Profits growth [illegible] Scotland [illegible] be sluggish, with Hydro-Electric being obliged by the regulator [illegible] its [illegible] tic [illegible] just below [illegible] of inflation (unlike [illegible] English regional electricity companies), entailing further improvements in efficiency, though production [illegible] will fall with Miller gas coming onstream from 1992.

The government is expected to float Hydro-Electric with a stiff gearing ratio of nearly 50 per cent, knowing that it needs no large new generating plant in Scotland and that it made a respectable £50m operating profit in 1989/90.

That [illegible] may intially fall but [illegible] then likely [illegible] increase [illegible] Hydro-Electric [illegible] in expanding [illegible] connector, [illegible] share [illegible] de-sulphurisation [illegible] tish Power's coal-burning plant [illegible] its management [illegible] building new generating plants in England.

Hardanger shares suspended

By Vanessa Houlder, Property Correspondent

SHARES IN Hardanger Property, [illegible] based property company, were suspended at 65p while the company sought the support of its bankers.

"Following delays which have occurred in a number of property disposals, and in particular one relatively large project, the company's level of borrowings has remained uncomfortably high," it said.

At the September year-end it had borrowings of £72.1m, compared with assets of £19.8m. Interest costs in its last financial year were £8.1m, compared with rental income of £2.5m.

Hardanger has been unable to make sufficient property sales to finance its income deficit because turnover in the property market has virtually ground to [illegible] halt in recent months.

The company said that it was vigorously pursuing a programme of disposals and that a further announcement would [illegible] made, possibly this [illegible].

The large project alluded [illegible] in the announcement [illegible] department [illegible] in Plymouth, which the company acquired in January in [illegible] property exchange [illegible] General. The company's [illegible] bank is Barclays.

DIVIDENDS ANNOUNCED

	[illegible] payment	Date of payment	Corres-ponding dividend	Total for year	Total [illegible]
[illegible] ....fin	3.25	June 10	3.25	3.85	[illegible]
Copymore § ....fin	1.7	-	1.7	2.5	2.5
[illegible] Intl ....fin	1	-	1.85	1.7	[illegible]
English [illegible] ....fin	[illegible]	[illegible] 19	8.6	11.3	10.9
Golden Vale ....fin	0.[illegible]	-	-	1.14	-
[illegible] § ....fin	5.5	[illegible] 10	5.4	8.5	[illegible]
Higgs and Hill ....fin	[illegible]	[illegible]	15.6	20	[illegible]
Le Creuset § ....fin	[illegible]	May 28	0.24	[illegible]	[illegible]
Prestwick ....int	0.5	June [illegible]	0.5	-	1.5

Dividends [illegible] pence [illegible] where otherwise stated. *Equivalent [illegible] allowing for scrip [illegible] §USM stock. ‡French francs. ♠Payment [illegible] deferred ordinary [illegible] pence

Jones & Shipman plans significant US expansion

By [illegible] Baxter

JONES & SHIPMAN, the Leicester-based machine [illegible] manufacturer, plans a significant expansion of [illegible] US activities through the acquisition of Rhode Island-based Brown & Sharpe Grinding Machines (BSGM), [illegible] joint venture between J&S and [illegible] & Sharpe of the US.

J&S has reached [illegible] in principle [illegible] acquire Brown & Sharpe's [illegible] of BSGM, [illegible] in 1989 to provide a marketing and servicing facility for the two companies in North America.

No terms for the deal were disclosed, but the sum is unlikely to be large. At the end of last month Brown & Sharpe, once the largest US machine tool maker, announced it was pulling out of the industry to concentrate on its metrology products.

Mr John Wareing, J&S managing director, said the acquisition would make the Leicester company solely responsible for sales and service of its machines in North America.

Additionally, J&S will acquire the rights to Brown & Sharpe's Hi-Tech creep-feed grinders and Techmaster surface grinders. Production will be moved from Rhode Island to Leicester.

Creep-feed machines grind the workpiece at a slow pace but with deep cuts, and are ideal for composite materials and ceramics which would crack under normal grinding. J&S will now be able to compete with three European manufacturers of creep-feed grinders, which are heavily used by the aerospace industry.

Mr Wareing said the deal would add at least £3m-£4m to annual sales. In the 15 months to end-March 1990, the company made pre-tax profits of £2.1m on sales of £30.9m.

Castle Mill Intl back in the black

Castle Mill International, with interests in gifts, character products and clothing, swung from [illegible] profits [illegible] pre-tax [illegible] 1990.

Turnover [illegible] £15.7m [illegible] £23.14m. The dividend for [illegible] is lifted to 1.15p (1p) from earnings of 0.8p (losses 0.88p).

Extraordinary income of £150,423 (provisions £334,850) reflected profit on disposals.

BOARD MEETINGS

The following companies have notified dates [illegible] meetings to the Stock Exchange. Such meetings are usually held for the purpose of consid[illegible] dividends. Official indications are not [illegible] as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Albert Fisher, Barratt (Henry), Cradley, Low (Wm), Molyneux Estates, Sage.

Finals- ATA Selection, Barlows, Blue Circle, East Rand Gold & Uranium, Free State Cons. Gold, Havelock Europa, IRG, Lep, Mid-States, Orange Free State Inv, [illegible], Quicks, River [illegible] Mercantile Geared Cap & Inc Trust, Tie Rack, Trusthouse Forte, Vivat, Wickham.

FUTURE DATES

Interims-	
Allied London Props	[illegible]
Gencor (UK)	Apr. [illegible]
Govett Strategic Inv Tst	Apr. 25
Holmes & Marchant	May [illegible]
Jakarta Fund	Apr. [illegible]
Majedie Invs	Apr. 25
Royal Bank of Scotland	May 1
Finals-	
Allied-Lyons	May 14
Appleby Westward	May 16
British Dredging	Apr. 24
British Fittings	Apr. 23
East Surrey Water	May 29
Expedier	Apr. 19
Geers Gross	Apr. 19
Kingston Oil & Gas	Apr. [illegible]
Mayflower	[illegible]
Racal Electronics	June 12
Thames Television	May 23
Walker (JC)	Apr. 25

PUBLIC [illegible] LOAN BOARD RATES

Effective April [illegible]

Quota loans*

Years	[illegible]†	[illegible]††	[illegible]§
1			11½
Over 1 up to 2	11⅜	11⅜	[illegible]
Over [illegible] up to 3	11⅛	11⅛	10⅞
Over [illegible] up to 4	11	11	10⅞
Over 4 up to 5	10⅞	10⅞	10⅞
Over [illegible] up to 6	10⅞	10⅞	[illegible]
Over 6 up to 7	10⅞	10⅞	11
Over 7 up to 8	10⅞	10⅞	11⅛
Over 8 up to 9	10⅞	11	11⅛
Over [illegible] up to 10	11	11	11⅛
Over 10 up to 15	11⅛	11⅛	11⅛
Over 15 up to 25	11⅛	11⅛	11
Over [illegible]	11⅛	11	11

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case [illegible] loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed [illegible] yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Ore tests delay nickel project for second time

By Enrique Tessieri in Helsinki

OUTOKUMPU, [illegible] Finnish state-owned base metals group, and Australian Consolidated Minerals [illegible] have delayed for a second time giving the go-ahead to the Mt Keith nickel project in Western Australia.

The scheme would produce 28,000 [illegible] annually [illegible] nickel in concentrate, adding about 5 per cent [illegible] world supplies.

Tests have shown that some of the ore has a higher level of magnesia than showed up previously and [illegible] might affect operating costs at the proposed mine and/or treatment charges at the smelter.

Outokumpu said yesterday that tests to determine the [illegible] will take at [illegible] months [illegible] complete.

Pending the outcome, [illegible] commercial agreements between the partners may have to be reviewed.

Agreements between Outokumpu and ACM expire in September if a decision to develop Mt Keith has not been made by then.

Mr [illegible] Mascall, business development director of Outokumpu Metals and Resources International, said [illegible] was still too early to determine if [illegible] magnesia found in the orebody [illegible] due to a procedural error.

"There may be big or small amounts of magnesia [in the orebody]. Tests may prove that it may not be [illegible] problem after all," he said.

In 1989 large-scale pilot plant samples taken from Mt [illegible] indicated that nickel concentrate assaying [illegible] nickel [illegible] be produced at 75 per cent metal recovery rates.

Outokumpu is also considering mining nickel at its joint venture with Forrestania, the Australian [illegible] in which it has 50 per [illegible] shareholding.

Forrestania's mine, [illegible] 200 miles south-east of Perth, is expected to begin production at the end of next year and [illegible] produce annually between 7,000 and 8,000 tonnes of nickel.

● Nickel producers would have to struggle to meet projected demand, said Mr Donald Phillips, [illegible] of Inco, the [illegible] world's [illegible] producer of the metal, yesterday, Reuter reports from Toronto.

He told the annual meeting that nickel stocks were minimal.

Not much [illegible] capacity would be added in the next few years because new production [illegible] "greenfield" operations [illegible] extremely costly [illegible] finance and would need high nickel prices for the life of any project to provide a worthwhile return on investment.

Australian crop farmers to receive federal hand-out

AUSTRALIA'S farmers are to get A$187m (£81.6m) in government aid to help overcome a rural crisis [illegible] by low prices for their crops, particularly wool, Reuter reports from Canberra.

Mr John Kerin, primary industries minister, said yesterday that the federal government grant would be spread around the most needy of Australia's 120,000 full-time farmers, who were suffering from poor demand for commodities and [illegible] general recession.

The country's six states and [illegible] will distribute [illegible] hand-out, mostly by assistance with debt repayments, in the fiscal year beginning July 1.

Mr Kerin said the aid compared [illegible] A$64m allocated as [illegible] for [illegible] in 1990-91 under the government's rural assistance scheme.

He told parliament [illegible] eral government was prepared to hand out [illegible] in 1992-93 if the crisis continued.

Low world prices for commodities such as wheat and wool, the country's two main rural export earners, have bitten deep in the past year. Wheat is fetching A$115 [illegible] tonne, the [illegible] price [illegible] decades, while wool is around 450 cents per kg, half the price of [illegible] year ago.

Farmers [illegible] taken out larger bank loans, at interest rates of up to 20 per cent, and thousands have gone bankrupt, says the National [illegible].

Rural counsellors will assess [illegible] plight of individual farmers and help reconstruct short-term debts into long-term debts; meet [illegible] to half the repayments [illegible] short-term [illegible] for up [illegible] give lump sums to farmers to help [illegible] industry and [illegible] in [illegible].

[illegible] around [illegible] will require assistance under the scheme, three times the number requiring help in the current year.

India raises export limit for sugar in bumper [illegible]

By Kunal Bose in Calcutta

THE INDIAN government has raised the export limit for sugar in the 1990-91 season by a further 100,000 [illegible] 525,000 tonnes.

Up to the end of March, the industry produced 9.2m tonnes, 800,000 tonnes more than the corresponding period of [illegible] previous season, and has been seeking to [illegible] at [illegible] 500,000 tonnes in [illegible] maintain prices in the domestic market.

The government has only gradually [illegible] the [illegible] it [illegible] to [illegible] exported, and has been reassured by the fact that sugar prices have not moved up even after export releases.

However, the low domestic prices have kept the pressure on sugar mills, which have not been able to clear their cane bills.

The Indian Sugar and General Industry Export Import Corporation, which is now handling exports independently of the state, has finalised procurement of 125,000 tonnes of sugar from mills [illegible] Maharashtra, [illegible] tonnes from Tamil Nadu and 35,000 tonnes from Karnataka.

Mr Om Dhanuka, spokesman for the corporation, said it should be possible to ship 225,000 tonnes of sugar by May. Sugar export was reviewed at a recent meeting of the corporation. Sales contracts settled so far are for delivery to [illegible] Lanka, Indonesia, Belgium and the US.

Far East production rises

[illegible] for sugar production in both China [illegible] Thailand this season have been revised upwards by Czarnikow, the London brokers, writes David Bl[illegible].

It was [illegible] that Thai production would fall well below the 3.5m tonnes of last season, but by the first week of this month that level had been surpassed. It now [illegible] that final production could reach just under 4m tonnes in raw value, Czarnikow says in its latest Sugar Review.

The Thai [illegible] has encouraged [illegible] reduce paddy planting and they have opted for cane.

China has been encouraging sugar planting with price incentives and by the end of February production was 1.5m tonnes above the previous year.

If this gain is maintained, internal requirements, estimated at [illegible] tonnes raw value, "could be almost entirely met with indigenous supplies", says Czarnikow.

US president to enter [illegible] on 'shortage' of peanuts

PRESIDENT George Bush is expected to intervene in the arguments over whether there is a shortage of peanuts in the US, Reuter reports from Washington.

[illegible] peanut problem has exposed the protectionism of the US, especially at a time when it has painted Japan as [illegible] villain for banning rice imports.

Washington limits annual imports of foreign peanuts to 1.7m lb. [illegible] presidential [illegible] is necessary to lift the quota or allow more imports.

Processors allege that a peanut shortage following [illegible] short [illegible] drought-hit southern states, has increased prices of [illegible] materials and finished products.

[illegible] result, peanut butter prices have risen along with raw [illegible]. [illegible] autumn a 28-ounce jar of peanut butter cost about $3 (£1.60) but it now sells for about $4.

The higher prices have forced the Agriculture Department to replace peanut butter with cheaper cheese in its school lunch and feeding programmes for low income families.

"The problem is the doubling of peanut prices due to the dev[illegible] combination of a 10 per cent production shortfall and an increase in the quantity [illegible] peanuts [illegible] with drought-related aflatoxin, which accounts for another 10 per cent shortfall," said Mr Bart Fisher, [illegible] processor representative.

Consumer groups and some [illegible] have petitioned president Bush either to lift the quota or accept a recommendation by the US International Trade Commission [illegible] should temporarily [illegible] an additional 300m lb of peanut imports to relieve the shortage.

The lobby for peanut farmers, who receive government subsidies and are bound by production quotas, disputes the [illegible] of [illegible] made by [illegible] sors and consumers.

Congressman Charles Hatcher (Democrat, Georgia) [illegible] peanuts were available from almost every sheller-handler in the three main producing states of Georgia, Florida and Alabama.

President Bush's inter-agency Trade Policy Group met last last week, but failed to arrive at [illegible] recommendation [illegible] whether the quota needed to be lifted or more imports be allowed, trade sources said. The group is expected to reach a recommendation sometime this week, paving the way for Bush to act.

"It's tough to ask the Japanese government to let its families buy rice grown by American farmers [illegible] our [illegible] strictly controls [illegible] amount of peanuts," said Mr Bryan Riley, director of trade policy for the Citizens for a Sound Economy.

Potash market shows signs of recovery

By Robert Gibbens in [illegible]

THE WORLD potash market, depressed in 1989 and most of 1990, is showing signs of a com[illegible]. [illegible] biggest producer has won [illegible] $9.50 (£5.30) per tonne price increase from Japan and Korea and believes China will accept the new base price of $110.50 per tonne.

Potash Corp of Saskatche[illegible] which normally [illegible] more than 50 [illegible] yearly output [illegible] nearly [illegible] tonnes abroad, asked Japan and Korea for a rise of $12. It will be satisfied if the lower price helps to stabilise the market in the North American market, says Mr Charles Childers, chairman.

PCS, with five mines in Canada's biggest wheat province, is a low-cost producer [illegible] mine capacity of 9.2m tonnes and reserves of 4.7bn tonnes or 100 years. The deposits are of the easily worked flat-bed type and extraction is highly automated.

[illegible] turnabout started late last year when China made a big order. The favourable shift in the first quarter this year had [illegible] dramatic impact on PCS after two [illegible] years of declining [illegible] earnings from [illegible] 1988 peak.

Offshore sales were up 54 per cent for the first quarter and [illegible] American 30 per [illegible]. Earnings more than tripled to about C$12m (£5.8m).

Mr [illegible] in spite of growing demand for potash as a fertiliser, especially from Asia and Latin America, balance between world supply and demand is several years away. Production and demand have been falling steadily in [illegible] Soviet Union and former [illegible] countries for two years, and half the 12 east German mines have been closed.

Mr Childers says the former eastern bloc producers are now active in Asia, particularly India, and demand hard cur[illegible] in place of bilateral [illegible]ements and barter deals. [illegible] trend towards market-driven economies in many areas will tend to firm world prices," he says.

The Soviet Union is the biggest potash producer with 34 per cent of world output; North America is next with 31 per cent; Europe, including reunified Germany, 27 per cent; and Israel and Jordan [illegible] per cent.

The consumption figures are different: 23 per cent for the Soviet Union; Europe, 32 per cent; North America, 20 per cent; 16 per cent in Asia; and 7 per cent for Latin America.

China is now buying about 2m tonnes a year as it reduces nitrogen use. This is expected to rise to an estimated 6m tonnes by the year 2000, says Mr Childers.

The World Bank estimates an annual rise in demand of up to 2 per cent.

Mr Childers sees little chance of new mine production coming on stream anywhere yet. "A 1m tonne yearly mine and processing plant [illegible] around $350m in North American terms and the return on investment is very slim," he said.

Large surplus of copper concentrates forecast

By Kenneth Gooding, Mining Correspondent

COPPER DEMAND [illegible] growing more strongly than previously expected but [illegible] supply chain [illegible] balance, according to Mitsubishi Materi[illegible] Corporation.

Substantial surpluses of copper concentrates, an intermediate material, are likely in the next 10 years, says Mr Shigeki Yabuta, [illegible] general manager, ore department.

Among the projects contributing to the concentrates surplus are Escondida in Chile (owned by a consortium including BHP of Australia and RTZ Corporation of the UK and Mitsubishi); the expansion of Freeport Copper's Etsburg mine in Indonesia; and the potential re-start of Bougainville, operated by CRA of Australia, in Papua New Guinea.

Mr Yabuta says that if all known new smelter projects go ahead as planned there would be enough smelting capacity to meet projected demand during the 1990s.

However, some will probably be delayed because of environmental pressures and the problems of raising capital. Delays would worsen the [illegible] surplus.

Copper [illegible] in the west (excluding the former and pres[illegible] Communist countries) [illegible] likely to grow by [illegible] per cent between 1990 and 1995 and by nearly 20 per cent between 1990 and the year 2000, Mitsubishi [illegible] This would [illegible] annual consumption by 776,000 tonnes to 9.708m tonnes in 1995 and 10.672m tonnes in the year [illegible].

Mitsubishi suggests that former and existing Communist countries will show a 0.4 per cent annual consumption increase raising total world [illegible] in [illegible] tonnes, and [illegible] in the year 2000.

[illegible] Yabuta, in [illegible] paper prepared for a meeting of the International Wrought Copper [illegible] that 824,000 [illegible] of the additional demand by 1995 will be met by cathodes produced by the solvent extraction-electrowinning process and 132,000 tonnes by the increased recovery of scrap metal.

This [illegible] of 317,000 tonnes of copper to be provided by concentrates.

Projects already under way would provide an extra 528,000 [illegible] copper in [illegible]trates by 1995, giving a surplus of 210,000 tonnes. He suggests that the surplus will rise to at least 860,000 tonnes by the year 2000.

To [illegible] demand an additional 449,000 tonnes of smelting and refining capacity is required by [illegible] and by [illegible] an [illegible] 1.462m tonnes – "equivalent to 10 large-scale smelters of 150,000 tonnes each".

If all planned [illegible] ahead, there would be 540,000 tonnes of additional smelting capacity by 1995 and an [illegible] of 1.45m tonnes by 2000, "almost enough to meet forecast increases in refined copper consumption".

[illegible] Refined [illegible] consumption last [illegible] by more than 2 per cent to a record 8.87m tonnes while production increased by less than 1 per cent to 8.402m tonnes, according to [illegible] International Wrought Copper Council.

This implies there was a supply [illegible] 200,000 [illegible].

Consumption will be flat this year, predicts [illegible] IWCC, while production should continue to grow, suggesting there will be a small supply surplus, "to be followed by a larger surplus in 1992".

Indian earnings from leather exports up 30%

By Kunal Bose in Calcutta

INDIAN raised its earnings from exports of leather and leather goods by 30 per cent to Rs26bn (£712m) in the year to the end of March.

However, earnings fell Rs2bn short of the target, which many felt to be over-optimistic. The export target [illegible] the cur[illegible] of Rs34bn [illegible] appears unrealistic.

[illegible] of [illegible] Exports believes that the volume of exports in 1991-92 will not be [illegible] more than [illegible] year.

[illegible] points to adverse developments such as the difficulty in opening letters of credit for the import of raw materials, the acute foreign exchange crisis and the delay in support payments and duty drawbacks to exporters.

The council considers highly encouraging the 45 per [illegible] growth in exports to Germany, which accounts for more than 20 per cent of total Indian leather exports

Germany has banned the import [illegible] leather containing pentachloraphenol (PCP), which has been found to [illegible] carcinogenic.

However, the [illegible] still used by some tanneries in India in the early stages of leather processing.

The use of PCP, in however small [illegible] quantity, could create a crisis of confidence among other foreign buyers.

Following the example of Germany, the US and the Soviet Union are also to ban the import of leather containing PCP.

NFU dual-pricing plans backed by wildlife charity

By David Gardner

THE UK National Farmers' Union's proposal for a dual-pricing system for farm produce as an alternative to the European Commission's blueprint [illegible] reform of the [illegible]mon Agricultural Policy has won enthusiastic endorsement from [illegible] Royal [illegible] for the Protection [illegible] Birds.

The RSPB, Europe's largest wildlife charity, has long been pushing for a system of "cross-compliance" based on [illegible] model.

Such a system aims to cut overproduction by offering the farmer a choice between setting aside land and receiving prices for produce at the full, subsidised support rate, or producing to maximum capac[illegible] but without price support.

The NFU plan envisages that those farmers who do not take land out of production would receive reduced support.

Mr Jim Dixon, RSPB agriculture spokesman, said: "We are delighted that the NFU is [illegible]ously considering this principle as its own [illegible] CAP reform."

He said the EC plans had established the principle of cross-compliance. They call for sharp price cuts, with full compensation for small farmers and partial refund to large farmers, but only if they set aside land.

The RSPB seeks an alliance of environmentalists, farmers and politicians to "strip [illegible] [EC] proposals of the discrimination in favour of smaller farms – who are not necessarily the best conservationists".

WORLD COMMODITIES PRICES

MARKET REPORT

[illegible] zinc prices [illegible] sharply down [illegible] the [illegible] on [illegible] LME yesterday [illegible] selling, liquidation [illegible] sell-stops against [illegible] background [illegible] that current high nearby premiums would attract large quantities of metal to LME warehouses and dep[illegible] prices once the squeeze was [illegible]. Traders said there was some uncertainty [illegible] whether the producer group [illegible] to be squeezing the market intended [illegible] it tight until [illegible] month as originally thought. This was [illegible] the daily [illegible] had moved [illegible] zero from $20 a tonne. Three month [illegible] fluctuated [illegible] [illegible] a tonne [illegible] this afternoon, as [illegible] market sought [illegible] out [illegible] range. [illegible] being sustained much [illegible] wary of supply disruptions [illegible] the Soviet Union, as well as Canada where key labour con[illegible] expire soon. Merchant buying [illegible] been evident or falls. However, fairly [illegible] built up [illegible] $9,000. Nearby dry [illegible] freight [illegible] sharply higher on talk that the [illegible] would [illegible] chartering [illegible].

Compiled [illegible] Reuters

London Markets

SPOT MARKETS		
Crude oil [illegible] barrel FOB)		+ or -
[illegible]	$15.70-7.80u	[illegible]
[illegible] (dated)	$19.75-19.90	
[illegible]	$19.55-9.60	+.075
W.T.I. (1 pm [illegible]	[illegible]	[illegible]
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium [illegible]	$248-250	+4
Gas Oil	[illegible]	[illegible]
Heavy Fuel Oil	$70-72	-3
Naphtha	$204-206	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	[illegible]	+0.10
Silver (per troy oz)♣	405.0c	+2.5
Platinum (per troy oz)	$400.5	+1.25
Palladium (per [illegible])	$98.75	[illegible]
Aluminium (free market)	$1385	+15
Copper (US Producer)	112½c	
Lead (US Producer)	34c	
[illegible] market)	415c	
Tin (Kuala Lumpur market)	[illegible]	
Tin (New York)	258.0c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	110.68p	+1.10*
Sheep (dead weight)†	[illegible]	+12.63
Pigs (live weight)†	87.34p	+1.04*
London daily sugar (raw)	219.0t	
[illegible] daily sugar (white)	$280.5t	-4.5
Tate and Lyle [illegible] price	£230.5	+1.0
Barley (English feed)	£124	
Maize (US No. 3 yellow)	£176	
Wheat (US [illegible] Northern)	£97	
[illegible] (May)♥	[illegible]	+0.25
[illegible] (Jun)♥	51.75p	+0.25
Rubber (KL RSS [illegible] May)	228m	
[illegible] oil (Philippines)§	$300t	-5
Palm Oil (Malaysian)§	$315.0s	-2.5
Copra (Philippines)§	$215x	
Soyabeans (US)	£153	+1
Cotton "A" Index	[illegible]c	-0.30
Wooltops (64s Super)	[illegible]	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul t-Apr/May u-Jun. x-Jul/Aug. s-Apr/Jun. †Meat [illegible] average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	[illegible]	[illegible]	
May	187.20	190.60	[illegible]	[illegible]
Aug	188.20	191.60	[illegible]	[illegible]
[illegible]	187.00	190.20	190.80	187.60
Dec	[illegible]	[illegible]	187.20	187.00
Mar	188.60	[illegible]	188.80	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	
Aug	[illegible]	276.5	276.5	274.[illegible]
Oct	[illegible]	[illegible]	259.5	258.0
Dec	[illegible]	255.1		
Mar	[illegible]	[illegible]	259.5	

Turnover: Raw [illegible] (880) lots of 50 tonnes. White 640 (612). Paris- White (FFr per tonne): Aug 1585, Oct 1480.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Jun	[illegible]	[illegible]	19.66	[illegible]
Jul	19.15	[illegible]	19.33	[illegible]
[illegible]	19.05	19.05	19.15	[illegible]
Sep	19.01	19.00	19.10	[illegible]
Oct	19.11	19.05	19.11	[illegible]
Nov	19.09		[illegible]	[illegible]
IPE Index	19.61	20.19		

Turnover 11547 (6412)

GAS OIL – IPE ([illegible])

	Latest	Previous	High/Low	
[illegible]	[illegible]	176.00	179.00	[illegible]
Jun	[illegible]	172.00	174.50	[illegible]
Jul	173.50	171.75	[illegible]	[illegible]
Aug	175.50	173.25	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	177.00	174.00
[illegible]	[illegible]	[illegible]	179.50	175.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	180.25	[illegible]		

Turnover 7886 (6478) lots of 100 tonnes

WOOL

Prices paid for wool at Australian auctions continue to move gradually upwards. The market indicator reached 487 this week, nearly 10pc above its recent low point. Wool auctioned in other countries is also meeting with good trade demand, and occasional mention of purchases by China, Russia, and Eastern Europe are encouraging. There is however no clear recovery from the textile recession which coincided with the wool crisis. In the UK activity is no worse but hopes of an all-round improving trend are certainly not being rapidly realised. Prices remain competitive for this reason [illegible] only just reflect [illegible] wool's strength.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
May	[illegible]	661	[illegible]	[illegible]
Jul	[illegible]	677	[illegible]	[illegible]
[illegible]	698	[illegible]	[illegible]	[illegible]
Dec	[illegible]	731	[illegible]	727
Mar	757	[illegible]	[illegible]	[illegible]
May	777	780	[illegible]	775
Jul	795	796	79[illegible]	795

Turnover: 7077 [illegible] tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Apr [illegible] (871.47) 10 [illegible] average for Apr 17 852.46 (853.57)

COFFEE – London FOX (£/tonne)

	[illegible]	[illegible]	High/Low	
May	577	578	581	575
Jul	596	596	599	594
[illegible]	[illegible]	616	[illegible]	613
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	649	[illegible]	[illegible]	647
Mar	664	[illegible]	[illegible]	665

Turnover: 3951 (2713) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Apr 16 : Comp. daily 72.60 (72.58). 15 day average 72.72 (72.73)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	136.0	139.8	[illegible]	
Apr	134.0	139.4	139.0	132.0

[illegible] lots of [illegible]

SOYAMEAL – London FOX ([illegible])

	Close	Previous	High/Low
[illegible]	[illegible]9.50	[illegible]8.50	[illegible]9.50
[illegible]	[illegible]	[illegible]	[illegible]

Turnover 100 (35) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Apr	1592	[illegible]	[illegible]	[illegible]
May	1535	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	1220
Oct	[illegible]	[illegible]	1335	[illegible]
Jan	[illegible]	[illegible]	[illegible]	
Apr	[illegible]		[illegible]	1484
BFI	1580	1582		

[illegible] 456 (266)

GRAINS – London FOX ([illegible])

Wheat	Close	Previous	High/Low	
[illegible]	138.80	138.60	[illegible]	[illegible]
[illegible]	140.30	140.25	[illegible]	[illegible]
[illegible]	[illegible]	111.75		
Nov	114.50	[illegible]	[illegible]	[illegible]
Jan	116.00		[illegible]	
Barley	[illegible]	[illegible]	[illegible]	
[illegible]	117.65	116.75	[illegible]	[illegible]
Sep	107.90	107.90	[illegible]	[illegible]
Nov	111.50	111.75		

[illegible] 183(44), Barley [illegible] 100 [illegible]

PIGS – London FOX (Cash Settlement) p/kg

	[illegible]	[illegible]	High/Low	
Apr	111.5	112.5	111.5	
May	113.8		113.8	113.8
Jun	114.0	115.5	[illegible]	114.9
Jul	114.8	115.5	115.0	114.0
Aug	[illegible]	[illegible]	114.8	114.0

Turnover:54 (37) lots of 3,250 kg

[illegible] – London FOX

	Close	Prev.	High	Low	Vol
[illegible]	[illegible]	[illegible]			
[illegible]	153.50	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	153.40	151.60	[illegible]	[illegible]	[illegible]
[illegible]	153.10	151.70	[illegible]	[illegible]	[illegible]

[illegible] METAL EXCHANGE ([illegible] Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 13,984 lots	
Cash	1398-9	1377-9		1391-2		
[illegible]	[illegible]	1409-10	1439/1415	[illegible]	1430-9	[illegible]
Copper, Grade A (£ per tonne)					Total [illegible] turnover [illegible] lots	
Cash	1375-80	1359-61	1392/1380	1385-7		
[illegible]	1365-8	1357-8	1376/1366	1371-2	1376-8	[illegible] lots
Lead (£ [illegible])					Total [illegible] 2,477 [illegible]	
Cash	326-7	[illegible]	327/326	325.5-6		
3 months	339-9.5	[illegible]	[illegible]		[illegible]	[illegible] lots
Nickel ($ per tonne)					Total [illegible] turnover [illegible]	
[illegible]	8990-9010	8950-900	8980/8930	[illegible]		
[illegible]	9010-25	8925-30	[illegible]	[illegible]	8980-75	[illegible] lots
Tin ($ per tonne)					[illegible] lots	
Cash	5490-5	5470-80		5480-5		
[illegible]	5585-90	5570-5	5590/5575	5575-80	5590-5	[illegible] lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 10,288 lots	
[illegible]	[illegible]	1420-30	1423/1415	[illegible]		
3 [illegible]	[illegible]	1200-1	1207/1183	[illegible]	1187-8	[illegible] lots

LME Closing £/$ rate: SPOT: 1.7645 3 months: 1.7600 [illegible] months: 1.7461 9 months: 1.7343

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
[illegible]	360.50-361.00	
[illegible]	[illegible]	
[illegible] fix	361.00	202.080
Afternoon fix	360.65	201.571
Day's high	361.40-3[illegible]	
Day's low	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
[illegible]	5.25	[illegible]	5.14
[illegible] months	[illegible]	12 [illegible]	5.11
[illegible] months	[illegible]		

Silver fix	p/fine oz.	US cts equiv
Spot	[illegible]	407.00
3 months	[illegible]	412.85
6 [illegible]	[illegible]	419.35
12 [illegible]	252.90	433.60

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	[illegible]
Krugerrand	[illegible]	202.00-202.50
Maple leaf	369.50-370.[illegible]	[illegible]
New Sovereign	86.00-87.00	[illegible]

[illegible]

Aluminium (99.7%)	[illegible]		Puts	
Strike price $ tonne	May	[illegible]	[illegible]	[illegible]
1300	109	134	0.5	6
1400	24	61	15	31
1500	1	[illegible]	91	[illegible]
Copper (Grade A)	[illegible]		Puts	
2350	128	111	2	[illegible]
2450	41	62	22	[illegible]
2550	6	[illegible]	[illegible]	108
Coffee	Jul	Sep	Jul	Sep
[illegible]	56	80	10	15
[illegible]	27	49	31	34
[illegible]	11	28	65	64
[illegible]	Jul	Sep	Jul	Sep
600	79	106	5	9
650	43	70	19	23
700	20	[illegible]	46	48
Brent Crude	[illegible]	Jul	Jun	Jul
1900	165	105	47	
1950		76	68	
2000		65		

New York

GOLD 100 troy oz.; $/troy oz.

	[illegible]	Previous	High/Low	
[illegible]	361.8	[illegible]	[illegible]	[illegible]
May	362.4	[illegible]	0	0
Jun	363.7	[illegible]	364.4	363.2
Aug	366.6	368.0	367.3	366.3
Oct	[illegible]	[illegible]	369.6	369.4
[illegible]	373.1	372.4	[illegible]	[illegible]
[illegible]	376.4	375.7	0	0
Apr	379.6	379.0	0	0
Jun	383.2	382.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	402.8	399.3	402.5	400.0
Jul	406.6	403.1	409.0	402.8
Oct	410.4	406.9	411.9	407.0
Jan	413.9	410.4	411.0	410.5
Apr	[illegible]	414.8	0	0
Jul	[illegible]	[illegible]	0	0

SILVER 5,000 troy oz; cents/troy oz.

	[illegible]	[illegible]	High/Low	
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	408.5	[illegible]	[illegible]	[illegible]
Jun	411.8	[illegible]	[illegible]	[illegible]
Jul	414.4	408.8	415.0	408.5
Sep	419.4	411.7	420.5	414.0
[illegible]	426.5	[illegible]	426.0	[illegible]
Jan	[illegible]	421.0	0	0
Mar	[illegible]	426.3	433.0	429.0
May	[illegible]	[illegible]	0	0
Jul	[illegible]	[illegible]	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	[illegible]	[illegible]	High/Low	
Apr	110.50	108.15	[illegible]	[illegible]
[illegible]	[illegible]	108.55	[illegible]	[illegible]
Jun	110.20	[illegible]	[illegible]	[illegible]
Jul	109.50	[illegible]	[illegible]	107.80
Aug	108.95	[illegible].10	0	0
Sep	108.35	[illegible]	108.35	[illegible]
Oct	107.65	[illegible]	106.90	[illegible]
Nov	[illegible]	[illegible]	0	0
Dec	[illegible]	[illegible]	[illegible]	105.50
Jan	108.00	104.40	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	115.90	[illegible]	[illegible]
Jul	[illegible]	[illegible]	117.15	[illegible]
[illegible]	[illegible]	[illegible]	117.50	116.50
Nov	[illegible]	117.10	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	21.71	21.84	21.89	21.58
Jun	21.29	[illegible]	[illegible]	[illegible]
[illegible]	20.89	[illegible]	21.06	[illegible]
Aug	20.64	20.59	[illegible]	[illegible]
Sep	20.44	20.30	20.55	20.42
Oct	20.30	20.26	20.40	20.25
[illegible]	[illegible]	[illegible]	20.29	20.20
Dec	20.20	20.11	[illegible]	20.18
Jan	20.10	20.04	[illegible]	20.06
Feb	20.04	19.98	20.06	[illegible]

[illegible] OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
[illegible]	5585	5563	5650	[illegible]
[illegible]	5550	5576	5630	[illegible]
Jul	5580	5599	5635	5580
Aug	5680	5625	5675	[illegible]
Sep	5775	5755	5805	5760
[illegible]	[illegible]	5840	5900	5870
Nov	5975	5925	5990	[illegible]
Dec	6055	6005	6070	[illegible]
Jan	6075	6025	6080	[illegible]
Feb	5985	5900	5985	5870

COCOA 10 tonnes;$/tonnes

	[illegible]	[illegible]	High/Low	
May	1082	1090	1105	[illegible]
[illegible]	[illegible]	[illegible]	1134	1110
[illegible]	1142	1147	1161	1141
Dec	[illegible]	1168	1200	[illegible]
Mar	[illegible]	1221	1228	1225
[illegible]	1240	1250	0	0
[illegible]	1262	1272	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	91.20	92.15	92.25	90.90
Jul	93.85	94.50	94.50	93.25
Sep	95.90	96.50	96.35	95.80
Dec	99.00	99.25	99.20	98.50
Mar	101.40	102.25	101.00	101.00
[illegible]	[illegible]	[illegible]	0	0
Jul	[illegible]	[illegible]	0	0
[illegible]	[illegible]	[illegible]	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.51	[illegible]	[illegible]	8.51
Jul	8.39	[illegible]	[illegible]	8.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	8.45	8.34
[illegible]	[illegible]	[illegible]	0	0
Jul	[illegible]	[illegible]	[illegible]	8.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	[illegible]	86.33	87.20	[illegible]
Jul	[illegible]	86.03	87.17	86.00
Oct	75.57	75.25	75.83	75.25
Dec	71.22	71.06	71.30	71.00
Mar	72.20	72.10	72.20	72.20
May	72.75	72.75	72.70	72.50
Jul	72.81	72.93	72.83	72.83

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 17	Apr 16	mnth ago	yr ago
1732.8	1727.3	1722.8	1921.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 15	[illegible]	[illegible]	yr ago
[illegible]	[illegible]	126.27	125.63	13[illegible]
[illegible]	[illegible]	128.98	128.65	13[illegible]

Chicago

SOYABEANS [illegible] bu min; [illegible]

	Close	[illegible]	High/Low	
May	592/2	[illegible]	593/0	[illegible]
Jul	[illegible]	[illegible]	606/0	593/4
[illegible]	[illegible]	605/4	610/0	599/0
Sep	601/0	609/4	614/0	[illegible]
Nov	612/0	619/0	623/2	[illegible]
[illegible]	[illegible]	[illegible]	634/0	623/0
[illegible]	[illegible]	640/4	644/0	633/0
May	642/0	648/0	651/4	642/0

SOYABEAN OIL 60,000 lbs; cents/lb

	[illegible]	[illegible]	High/Low	
May	21.28	21.46	21.51	21.20
Jul	21.58	21.80	21.85	21.56
Aug	21.76	21.98	22.02	21.74
Sep	21.92	22.12	22.18	21.92
Oct	22.05	22.26	22.28	22.05
Dec	22.30	22.49	22.50	22.30
Jan	22.40	22.58	0	0
Mar	22.67	22.84	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	[illegible]	[illegible]	174.2	[illegible]
Jul	[illegible]	176.5	176.0	173.8
Aug	[illegible]	177.8	179.3	175.4
[illegible]	177.4	[illegible]	[illegible]	177.4
Oct	178.3	180.4	182.2	178.3
Dec	[illegible]	[illegible]	185.2	[illegible]
[illegible]	182.0	184.2	[illegible]	[illegible]
Mar	185.5	188.2	0	0

MAIZE 5,000 bu min; [illegible] bushel

	[illegible]	[illegible]	High/Low	
[illegible]	254/0	[illegible]	258/0	253/6
Jul	260/4	263/6	265/4	259/4
Sep	259/6	262/6	264/6	259/0
Dec	256/6	261/4	263/4	256/2
Mar	268/4	269/4	271/0	265/6
May	272/2	274/6	276/0	272/2
Jul	276/4	278/4	279/4	276/4

WHEAT 5,000 bu min; [illegible]

	Close	Previous	High/Low	
May	280/4	282/2	[illegible]	[illegible]
Jul	[illegible]	292/4	[illegible]	[illegible]
Sep	[illegible]	301/0	303/4	299/4
[illegible]	314/0	[illegible]	317/0	313/4
Mar	322/4	323/4	324/4	321/4
May	325/0	326/4	326/2	325/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	[illegible]	[illegible]	[illegible]	80.22
Jun	[illegible]	[illegible]	[illegible]	76.30
[illegible]	74.55	74.67	[illegible]	[illegible]
[illegible]	76.00	76.12	76.20	75.86
[illegible]	[illegible]	76.27	76.30	76.05
Feb	75.85	[illegible]	75.97	[illegible]
Apr	76.35	[illegible]	0	[illegible]

LIVE HOGS [illegible] lb; [illegible]

	[illegible]	Previous	High/Low	
Apr	52.45	52.85	52.98	52.27
Jun	57.97	[illegible]	[illegible]	57.62
Jul	57.27	[illegible]	[illegible]	57.02
Aug	54.37	54.47	[illegible]	[illegible]
Oct	[illegible]	49.15	[illegible]	[illegible]
Dec	[illegible]	48.47	48.60	48.40
Feb	[illegible]	47.90	47.97	47.80
Apr	46.40	46.40	46.40	46.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	63.05	63.17	63.77	62.60
Jul	61.40	61.52	62.04	61.05
Aug	58.45	58.45	59.20	58.17
Feb	59.67	60.25	60.25	59.60
Mar	59.80	60.40	0	59.80

هكذا من الاصل

LONDON STOCK EXCHANGE

New York sets the pace for London

THE LONDON stock market was content to follow New York's lead yesterday, and although the FT-SE Index rose sharply to close just below its all-time high, the mood was somewhat lethargic. Hints of an impending bid for a stock in the Footsie list, re-vitalised by fund-raising moves by Hanson and Roche Holdings, the Swiss pharmaceuticals group, provided some impetus for gains in the blue chip internationals. However, there were worries that another large rights issue from a leading listed company could be pending.

Trading volume was slow, however, particularly in the first couple of hours of the session when the big institutions usually dominate the market. Share prices were marked higher at the opening in response to Wall Street's gain of 54 Dow points overnight. In the absence of buying support the gains were soon more than halved, until London began to position itself ahead of the new Wall Street session, which was widely, and accurately, expected to open higher.

Account Dealing Dates		
*First Dealings:		
Apr 2	Apr 15	Apr 29
Option Declarations:		
Apr 11	Apr 25	May 16
Last Dealings:		
Apr 12	Apr 26	May 17
Account Day:		
Apr 22	May 7	May 28

*New-time dealings may take place from 8.30 am two business days earlier.

With the Dow Jones Industrial Average just touching the 3,000 mark as London closed for the day, the FT-SE Index ended at 2,545 for a gain of 25.5, the best of the day, taking it to a mere 0.3 below the closing peak achieved on April 5.

Seaq volume of 477.6m shares, while marginally better than Tuesday's 446m, was unexciting by recent standards. Data from the London Stock Exchange shows that on Monday retail interest in UK equities fell to 804m, the first session for some time in which the retail total had fallen below £1bn.

UK economic news continued to discourage the equity market which has turned less confident on the near term outlook since the beginning of the second quarter of the year. The March Public Sector Borrowing Requirement of £3.1bn, announced yesterday, was higher than expected in the City of London. Today will bring the latest numbers on UK unemployment and industrial production. Further consideration of the increase last month in UK manufactured goods also underlined concern in the market over domestic inflationary pressures.

At Nomura Research Institute, which has been notably bullish on UK equities, the economics team yesterday warned that "any further interest rate cuts will have to be reversed over the course of the next year". It expects the fall in UK inflation to be reversed later this year and that sterling could weaken by the end of 1991. "Indeed, after falling to 11 per cent in the summer, we expect base rates to return to 12 per cent by December."

At an investment strategy conference this week, however, *Mr Roger Palmer of Kleinwort* Benson, the UK merchant bank, reiterated the firm's forecast that the Footsie will reach 3,000 by the year-end. He believes that Wall Street will be an important factor, although he also predicts an upturn in UK corporate earnings in the autumn, followed by real growth of earnings and dividends through 1992.

Yesterday's gain in the Footsie Index reflected strong gains among Wall Street-influenced stocks, with BAT Industries, Reckitt & Colman and Reuters all to the fore. Oil shares remained firm but a less certain trend in crude prices counterbalanced the effects of Wall Street's strength. Stock shortages inspired sharp gains among some consumer issues.

In the banking sector National Westminster provided *a strong feature at the close*, dispelling some earlier nervousness regarding the results from the US arm of the bank.

Volatile trading in NatWest

THE performance of NatWest Bank confounded the market. The stock eased back for much of the session, then dipped sharply after bad news from its US subsidiary, before staging an about turn late in the session.

Dealers took a bearish tack at the outset, marking the stock down to around 327p, amid worries that first quarter figures from NatWest Bancorp, the US arm, would be below the $75m to $150m loss range forecast by City analysts. Also acting as a drag was a bearish appraisal of the banking sector, especially NatWest, published by the bank's own securities arm, County NatWest.

County said the sector was 10 to 15 per cent overvalued. It seemed unlikely that the UK banks would be able to fund their own requirements, and that deterioration in balance-sheet ratios might prompt fears of rights issues, which would in turn damage share *performance*

First quarter figures from Bancorp came out at a loss of $191m and when NatWest shares dropped to 323p, heavy buying from institutions reversed the trend and left the stock a net 4 higher at 335p. Turnover reached 3.4m.

Dilution worries

Short-term factors continued to unsettle Smiths Industries, the first being renewed concern over the extra research and development costs involved in the $700m contract awarded last week by Boeing. The development of new systems for the US manufacturer's B777 aircraft could amount to £10m a year, say analysts, and may hold back profits over the next three years until revenue flow begins.

Another worry was the prospect of further short-term dilution if the group used its cash pile of some £120m on an acquisition. The group tends to follow a policy of longer-term expansion and, in the near term, profit margins could come under pressure. The shares moved against the market, falling to 270p before ending 4 down on balance at 272p.

Glaxo recommended

Glaxo led pharmaceuticals higher as Kleinwort Benson said that the shares were oversold, while a presentation in the health and household sector at SG Warburg attracted attention to the whole sector.

The shares have been hit in recent days by the prospect of a law suit challenging one of the patents on Glaxo's Zantac, the world's best-selling drug. Mr Ian White at Kleinwort said this presented a short term buying opportunity and the shares rose 15 to 1100p.

Glaxo had also been affected by *switching from SmithKline* Beecham, which yesterday continued to benefit from presentations to analysts on Monday in London, and last Friday in New York. Traders said there was still an overhang of buying from the US encouraged by the recently strong dollar. In a shortage of stock, SmithKline was squeezed 13 to 881p.

The good sentiment spilled over into Fisons, 11½ better at 481p, and Reckitt and Colman, which closed 32 to the good at 1547p as traders spoke of a shortage of stock.

Kleinwort Benson was involved in the oil sector, reaffirming their strong buy stance on British Gas and also issuing a detailed buy note on Ultramar. Kleinwort said BritishGas shares already discounted even the most severe adjustment to the *gas pricing formula from* the industry watchdog, Ofgas.

"Unless it's a real hammer blow the shares will go up," said Mr. Philip Lambert at Kleinwort. Gas settled 5½ firmer at 357p on 5.7m. Ultramar added 7 at 330p.

Racal Telecom advanced strongly, boosted primarily by a buy note from UBS Philips & Drew, but also by revived speculation that a bid could be imminent for Racal Electronics prior to the latter's demerger of Telecom, expected this summer.

Talk of a bid from Cable & Wireless, on its own or in conjuction with Mannesman and Hutchison Whampoa, has been in the market for some time. UBS said Racal Telecom was its only buy recommendation in UK telecoms, describing it as the premier play on long term growth in mobile telecoms. Telecom closed 12 up at 393p and Electronics 8¼ higher at 241½p.

GEC, restrained by yet more profits downgrades – Smith New Court was the latest – could only manage a 3 gain to 205p. Booker rose 11 to 480p after it surprised the market by announcing that it had sold two subsidiaries, Holland & Barrett and Kingswood, to Lloyds Chemists for £55m. Analysts said the deal would reduce Booker's gearing by 20 points to 85 per cent. Mr Carl Short of Nomura increased his next year's Booker forecast by £1m to £1141m, welcoming the news as "a good deal for Booker". Lloyds rose 3 to 278p on the announcement, but a £73.8m rights issue prevented a larger advance.

Food specialists said Booker may announce a further small disposal this morning to Albert Fisher. Fisher eased a penny to 120p ahead of its interim results today. Profits of £44m against £19.9m last time are expected.

First quarter [illegible] figures from L[illegible] were described [illegible] ing by [illegible] shares, additionally unsettled by a UBS Philips & Drew review of the life sector, fell 6 to 459p.

Maxwell Communications Corporation (MCC) added 6 at 236p in response to the publication of the prospectus for the flotation of Mirror Group Newspapers (MGN). MCC and MGN are both controlled by Mr Robert Maxwell.

A newspaper report revived talk that MB-Caradon, the building products and printing group, was on the verge of selling its 25 per cent stake in CMB Packaging. Mr Richard Rae at Hoare Govett said that the talked of price of £300m was in line with expectations and would give Caradon £100m net cash. Caradon gained 12 to 234p.

Bid speculation took hold in Caird, the waste management company, and the shares rose 7 more to 72p. Severn Trent Water is a major shareholder after allowing its offer to lapse last December and must agree terms with Caird before it can return within the statutory 12 months required by Takeover Panel rules. Several main board directors of Caird announced further share purchases on Tuesday.

Specialist engineer EIS Group rose to a 1991 high of 330p, up 8¼, on the good results and a positive statement which outweighed the call for fresh funds of £18.3m. A six-fold increase in annual profits and an encouraging view on current trading lifted Copymore 7 to 40p.

BAA added 16 to 444p following comments by Sir Norman Payne, the chairman, that airline passenger traffic is almost back to pre-war levels. A B Ports was up a penny at 267p despite late news the Monopolies and Mergers Commission is to investigate cross-Solent ferry servcies. A B Ports' subsidiary, Red Funnel, has [illegible] per cent share in the market.

USM-quoted Radio City jumped 42 to 301p, after peaking at 318p, as it revealed it was in talks that might lead to a bid. Traders suggested the buyer was unlikely to be another radio company, given that the sector's advertising revenue has been hard hit by the recession.

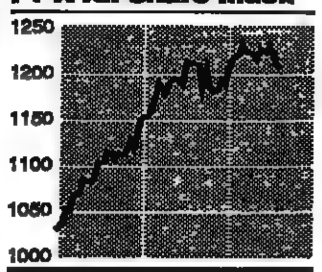
Two quoted holiday tour operators continued to be squeezed higher in response to reports of record levels of bookings. Airtours rose 14 to 402p and Owners Abroad firmed 6 to 92p.

Ivory & Sime, the Edinburgh-based fund management group, bounced 8 to 123p as investors scented increased business from the acquisition of fellow fund group Argosy Asset Management. The latter had been facing uncertainty since it lost management of the Merchant Navy Officers' Pension Fund last month.

Support [illegible] investment trust Berry Starquest also increased. Dealers became wary, having seen buying recently from brokers not normally associated with investment in the sector, and speculation arose of Berry perhaps reporting some other development with the annual results, due tommorow. The shares rose 5 to 141p.

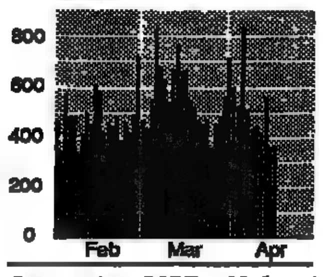
■ Other Market statistics, including the FT-Actuaries share index, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (190).
BRITISH FUNDS (5) Treas. 8pc 92, Exch. 8pc Gas 90-95, Treas. 2pc IL 92, Do. 2pc IL 94, Do. 2pc IL 96, AMERICANS (14) Abbott Labs, Amer. T & T, BankAmerica, Bankers NY, CPC, Colgate-Palm, Cont. Bank, Gen. Elect., Greyhound Dial, Hasbro, Houston, Lowes, Manuf. Hanover, Merrill Lynch, CANADIANS (5) Bk. Nova Scotia, Can. Imp. Bk., Hawker Sid. Can, Hudson's Bay, Royal Bk. Can., BANKS (6) ABN Amro, ANZ, Mitsubishi, Mitsubishi Tst & Bnkg., Mitsui Tst. & Bnkg., BREWERS (4) Devenish (JA), Do. 4.5pc Prf., Marston Thompson, Seagram, BUILDINGS (5) Barratt Dev., Birse, Miskin, Ramus, SWP, CHEMICALS (4) BTP, Bayer, Blagden, Joyce, STORES (11) Blacks Leis., Cantors A, Coles Myer, Dunhill, Fine Art Devs., Lloyds Chem. Prf., Martin (A), PML, QS, Reject Shops, Scholl, ELECTRICALS (14) Domino Print., Hewlett-Packard, Kewill Sys., Micro Focus, Motorola, Nectronics, Nthn. Telecom, Pifco, Racal 7pc Cv 2009-14, Renishaw, SD-Scicon, Sherwood Comp., Sony, TDK, ELECTRICITY (1) Norweb, ENGINEERING (3) Davy, Johnson & Firth, Molins, FOODS (13) Assoc. Fisheries, Booker, Dalepak, Goodman Fielder Wattie, Hazlewood, Iceland Frozen, Kwik Save, Morrison (Wm), Do. 5¼pc Pf, Nthn Foods, Nurdin Peacock, Shoprite, Watson & Philip, HOTELS (7) City Centre Rest., INDUSTRIALS (32) Amer Free A, B.H. Prop., Bespak, Bluebird Toys, Bowater, Br. Aerospace Prf., Creata, Daimler-Benz, Dauphin, ECC, Elys, Grampian, Hafslund Nycomed B, Kalon, Lonrho, Low & Bonar, MB-Caradon, Do. Prf., ML Labs., Manpower, Novo Nordisk B, Pilkington, Portmeirion Potts., RCO, Ropner, Do. A, Russell (A), SmithKline Bchm. A, Do. Equity Units, Stocklake, Warner Howard, Wassall, INSURANCE (4) Britannic, Hogg, Lincoln Natl., Willis Corroon, LEISURE (11) Airtours, Campari, Central ITV, First Leis., Hi-Tec, Metro Radio, Owners Abroad, Do. 9¼p Prf., Radio City A, Scot. TV, Stanley, MOTORS (2) Perry, Sanderson M. E., NEWSPAPERS (2) Johnston Press, Trinity, PAPERS (5) CIA, Olives, WPP, PROPERTY (2) Land Lease, Marylebone, TEXTILES (3) Lyles [illegible] BAA, [illegible] TRUSTS [illegible] Japan, [illegible] Worldwide [illegible] First [illegible] Japanese [illegible] Prf., [illegible] JF Fledg[illegible] Inc., Do. [illegible] Do. Wts [illegible] Assets [illegible] Stpd. [illegible] Shires, [illegible] Prf., Do. [illegible] (7) Brit. [illegible] Petrofina [illegible] Europe, [illegible] Plat., Western West, [illegible] Plat., Southern Pac., Western Areas.
NEW LOWS (12).
BANKS (1) HSBC, STORES (1) Usher (F), ELECTRICALS (2) Arlen, Sema, ENGINEERING (1) Dickie (J), PROPERTY (1) Sheafbank, TRUSTS (1) Saltire, OILS (2) Cairn Energy, Richmond, MINES (3) Blyvoor, Cluff Wrnts, Harmony.

FINANCIAL TIMES STOCK INDICES

	Apr 17	Apr 16	Apr 15	Apr 12	Apr 11	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.92	85.07	85.17	85.35	85.47	75.56	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.66	94.67	94.75	94.77	94.76	85.65	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2001.4	1985.5	2003.6	[illegible]	2002.2	1732.5	2014.5 (5/4)	1605.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	139.0	138.4	140.0	141.3	141.2	248.0	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2545.0	2519.5	2542.8	2526.1	2531.6	2205.9	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1172.46	1161.90	[illegible]	1164.86	1161.08	-	1176.39 (15/4)	938.62 (16/1)	1176.39 (15/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.82	4.86	4.83	4.84	4.83	5.16				
●Earning Yld % (full)	8.70	8.86	8.80	8.82	8.81	11.03				
●P/E Ratio (net) (●)	14.12	13.86	13.96	13.94	13.97	10.20				
SEAQ Bargns 4.45pm	28,692	30,305	31,804	41,267	34,267	19,657				
Equity Turnover (£m)†	-	806.67	804.80	1253.31	1036.94	568.94				
Equity Bargains†	-	30,949	32,122	43,019	33,786	19,176				
Shares Traded (ml)†	-	393.3	362.4	567.2	430.1	311.8				

Ordinary Share Index, Hourly changes — Day's High 2001.4 — Day's Low 1987.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1999.8	1990.5	1987.7	1991.0	1991.0	1991.0	1993.2	1993.9	1999.2

FT-SE 100, Hourly changes — Day's High 2545.0 — Day's Low 2524.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2536.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Eurotrack 200, hourly changes — Day's High 1173.32 — Day's Low 1167.76

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1168.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GILT EDGED ACTIVITY		
Indices*	Apr 17	Apr 16
Gilt Edged Bargains	89.9	86.1
5-Day average	98.6	107.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.
London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

LONDON derivatives traders were once again caught out by the strength of US shares and by the close of trading there were signs of a squeeze developing in the cash and futures markets.

June FT-SE futures got off to a strong start as locals who had carried a short position overnight were forced to cover their books following the large gains in the previous session on Wall [illegible]

But doubts about the ability of US shares to continue to rally prompted a setback in futures, which traded for much of the morning below the 30 point fair value premium to the spot index.

Instead, it was the cash market which led the way, absorbing the selling press[illegible] and moved towards its all-time high. A squeeze developed in the futures market just before the close, which gave a boost to the stock market.

June FT-SE contract closed at 2,582, up 33 points on the day, while its premium to the spot index expanded to 39 points against 30 the previous day.

Glaxo options were actively traded as one broker crossed a large block of June 700 calls. But options specialists were surprised by the 7,474 lot turnover, equivalent to 7.4m shares and double activity in the underlying securities. Hanson August 240 calls and Grand Met April calls were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years) — Five to Fifteen Years — Over Fifteen Years — Undated

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked — INT. BANK AND O'SEAS — CORPORATION LOANS — COMMONWEALTH & AFRICAN LOANS — LOANS — Building Societies — Public Board and Ind.

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
25¾	23½	Treas. 2½pc	24⅝	-⅛	10.18	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1991 High	Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Yld Gr's
49¾	37⅞	CPC Intnl. 25c	49¼	+¾	$2.00	-	2.3
717p	420p	California Eng	700	[illegible]	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Barclays Property Holdings

■ Following the formation of BARCLAYS PROPERTY HOLDINGS to manage the bank's property portfolio, Mr David Turner has been appointed managing director; Mr Warwick Isle, deputy managing director; Mr Philip Currie, finance director; Mr Ian Myers, director, facilities; Mr Don Collins, director, technical services; Mr Christopher Davies, director, property management; Mr Peter Donovan, director, property development; Mr Malcolm Griffith and Mr Mike Mulholland, regional manager and director, professional services division; and Mr Peter Thompson, a director.

■ BRITISH RAIL's Network SouthEast has appointed Mr David Walker as marketing director. He was general manager, commercial, GB Airways.

■ Mr Stephen Richardson has been promoted to buying director of non-clothing products at BEWISE.

■ Mr Frans Witt, joint managing director of PROLIFIC GROUP, part of Hafnia Holdings (UK), becomes temporary chief executive of Prolific Life & Pensions, succeeding Mr Don Shore who is joining Royal Life Holdings as assistant managing director. Prolific Financial Services has promoted Mr Henry McCulloch to managing director from operations director.

■ ARCADIAN INTERNATIONAL has appointed Mr Grahame Sewell as finance director. He was finance director, international division, Reebok International.

■ Ms Nicola Meaden has become managing director of TASS ASSET MANAGEMENT, derivative portfolio consultancy.

■ WALLACE EVANS, Welsh Water's engineering and environmental subsidiary, has appointed Mr Tim Wade as managing director. He was executive chairman of Wade and Jogg Construction from 1982, and was previously managing director of Wade Adams Construction.

■ Sir Robin Duthie has been appointed a non-executive director of CHARTERHOUSE, merchant banking division of the Royal Bank of Scotland Group.

■ A.F. BUDGE (BUILDING), Leeds, has appointed Mr Allan Dobson as marketing director.

■ Mr Stan Jones has been promoted to marketing director of GULF OIL (GREAT BRITAIN), a subsidiary of Chevron Corporation, San Franciso, from May 1. He is manager, retail marketing, and succeeds Mr Mott Groom who has taken early retirement to pursue other interests.

Mr Michael Toh *(pictured)* has been appointed director, group business development, and chief financial officer, at SCITEC COMMUNICATIONS SYSTEMS (EUROPE), Windsor. He was group finance director, Rockfort Group.

■ WABCO AUTOMOTIVE PRODUCTS GROUP has promoted Mr Eric Nutter to vice president responsible for UK operations. He retains his post as general manager, UK operations in Europe.

■ SOFTWRIGHT SYSTEMS, company bought out by management and staff from Micro Focus, has appointed as directors Mr Paul Frew, manager, application division, and Mr Tim Gatland, manager, technical division. Mr David Thomson, of SYNTECH venture capital which assisted in the buy-out, becomes a non-executive director, together with Mr Colin West, previously deputy chairman of Micro Focus.

■ CRAY ELECTRONICS HOLDINGS has appointed Mr Ray Piggott as chairman of its cabling subsidiary J.O. Grant & Taylor (London). He remains chief executive of Craycom.

CONTINENTAL BANK, London, has appointed Ms Alexandra McLeod *(pictured)* as managing director, sales and distribution. She created and manages Continental's LDC asset trading group, and now assumes responsibility for the bank's European asset brokerage and distribution operation.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT [illegible] help desk on 071-925-2128

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£11¼	£9¾	ABN Amro Fl5	£11¼	+⅛	Q30%	♦	4.1	♦
152	121	ANZ $A1	152	+3	Q38c	1.9	10.9	4.9
288	211	Abbey National 10p	283	+3	9.5	3.0	4.5	9.8
183	126	Allied Irish Ord	176	+5	†Q40%	3.3	5.1	8.0
65	53	Anglo Irish	60	.....	Q18.6%	2.3	7.0	7.9
60	38	Ansbacher (H.) 1p	38	.....	1.5	0.3	5.3	–
£55	£42	Bancaire Cie Fr100	£49	[illegible]	Q15%	–	3.1	–
£17½	£12½	Banco Bilbao Viz	£17	.....	Q49.1%	2.7	4.8	7.7
£30¼	£21	Banco de Santander	£30¼	.....	Q28.7%	2.3	4.0	10.6
208	139	Bank Ireland Ir£1	204	+5	Q14.7%	2.9	6.5	7.2
£19½	£19½	Bank Leumi	£19½	.....	–	–	–	–
350	350	Bank Leumi (U.K.) £1	350	.....	16.0	–	6.1	–
148	111	Bank Scotland	141	−2	†4.55	3.4	4.3	9.0
110	96½	Do. 9¼pc Irrd Pf £1	106¼	.....	9¼%	–	11.6	–
110¼	99½	Do. 9½pc Irrd Pf £1	110¼	.....	9¼%	–	11.8	–
43	35	Bank of Wales	43	.....	2.8	0.8	8.7	(20.7)
499	327	Barclays £1	465	+3	21.15	1.1	6.1	19.3
12	9	Benchmark 20p	10	.....	0.75	–	10.0	–
252	195	Brown Shipley £1	252	.....	‡12.0	2.2	§	8.1
464	384	Cater Allen £1	459	+3	F24.5	–	7.1	–
44	36	Chancery	36	.....	†9.0	2.7	§	1.4
£18⅝	£15	Commerzbk DM10	£18	+⅛	Q20%	–	3.8	–
£231¼	£191	Deutsche Bk DM50	£219	+3	Q28%	–	2.1	–
£9⅞	£7	Dai Ichi KBk Y50	£9⅞	+⅛	Q17%	6.2	0.3	46.7
£18½	£16¼	Espirito Santo	£18	.....	Q75c	5.1	2.3	8.4
213	152	First Nat. Fin. 10p	208	.....	13.0	1.2	8.3	12.4
110	78	FNFC 6.3pc Cv Pf £1	107	−1	6.3%	–	7.9	–
1110	867	Fuji Bank Y50	1110	.....	†Q17%	6.9	0.3	47.3
355	303	Gerrard & National	346	+5	19.0	–	7.3	–
78	50	Guinness Mahon 10p	51	.....	1.45	–	3.8	–
193	175	HSBC Hldgs HK$10	175	−2	Q156c	–	6.4	–
302	204	Hambros 20p	279	+1	†11.5	–	5.5	–
125	90	Do. 7.5pc Cv Pf £1	113	.....	7½%	–	8.8	–
413	378	Joseph (Leo) £1	408	.....	15.85	–	5.2	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
81	50	ABI Leisure 10p	81	......	3.1	4.4	5.1	5.6
[illegible]	£5¼	DAF N.V. Fl5	£8¼	+¼	–	–	–	–
109	79	General Mtrs Units	102	......	Q27¾%	–	6.8	–
14	9	March Group 5p	13	......	–	–	–	–
£133¾	£101	Volkswagen DM50	£124½	+2½	Q22%	[illegible]	3.0	9.7
£30	£18½	Volvo AB 'B' Kr25	£30¼	+½	Q62%	♦	4.7	♦

Commercial Vehicles

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
158	113	ERF (Hldgs)	145	–3	‡10.0	1.6	‡	8.8
73	48	Plaxton Grp	58	......	4.5	♦	10.3	♦

Components

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
470	453	Abbey Panels	470	......	3.5	10.8	1.0	12.5
140	123	Airflow Streamlines	138	......	6.0	3.0	5.8	7.7
147	140	Bostrom 5p	140	......	6.0	♦	5.7	♦
196	145	Dowty 50p	178	+5	19.0	2.1	6.7	8.5
181	115	FR Group	173	......	6.37	3.1	4.9	8.8
120	69	Kwik-Fit Hldgs. 10p	108	–1	2.75	2.8	3.4	13.3
173	125	Lucas Inds	165	+1	7.0	2.2	5.7	9.3
38	18	Do. Warrants	38½	......	–	–	–	–
60	47	Mid-States 10p	59	......	s20.75	–	1.7	37.1

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

● Current [illegible] Trust prices are [illegible] on FT Cityline. Calls charged at 45p [illegible] minute peak [illegible] peak, inc VAT. To obtain your [illegible] Unit Trust [illegible] ring (071) [illegible]

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Unit Tst Man Co Ltd (1200)F						
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex Enquiries: 0277 227300 Dealing 0277 261010						
Equity Dist	5½	425.9	433.7	458.9	-0.10	3.45
Equity Acc	5½	592.7	603.6	638.7	+0.30	3.43
Fixed Int Dist	5½	113.8	116.0	120.2		8.44
Fixed Int Acc	5½	242.1	246.8	255.7	-0.10	8.44
UK Index Track Dist	5	99.21	100.2	106.0	+0.10	4.06
UK Index Track Acc	5	103.8	104.7	110.8	+0.10	4.06
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794						
TSB American	6	136.57	136.57	145.28	+2.81	0.37
Do Accum	6	149.29	149.29	158.81	+3.07	0.37
TSB Brit Growth	6	73.9	75.1xd	79.89	+0.09	3.26
Do Accum	6	82.77	84.13xd	89.49	+0.11	3.26
TSB European	6	74.1	74.1	78.82	-0.33	0.97
Do Accum	6	76.79	76.79	81.69	-0.34	0.97
TSB Extra Income	6	165.14	166.95	177.6	+0.39	5.12
Do Accum	6	238.13	240.74	256.1	+0.56	5.12
TSB Smaller Cos	6	45.14	45.98xd	48.91	-0.75	2.66
Do Accum	6	47.77	48.66xd	51.76	-0.79	2.66
TSB General	6	229.4	[illegible]	244.32	+0.06	3.43
Do Accum	6	428.5	[illegible]	455.89	+0.12	3.43
TSB Premier Income	5	44.6	[illegible]	46.48	-0.62	8.41
Do Accum	5	79.6	[illegible]	83.18	-1.11	8.41
TSB Income	6	308.	[illegible]	324.3	+0.33	4.82
Do Accum	6	573.6	[illegible]	621.47	+0.62	4.82
TSB Pacific	6	234.3	[illegible]	249.32	+1.52	0.45
Do Accum	6	243.8	[illegible]	259.42	+1.58	0.45
TSB International	6	396.85	396.85xd	422.18	+3.86	0.83
Do Accum	6	511.78	511.78xd	544.44	+4.97	0.83
TSB Nat Resources	6	63.04	64.34xd	68.44	+0.6	0.39
Do Accum	6	68.68	70.1xd	74.57	+0.7	0.39
TSB Stand Opps	6	79.44	81.16xd	86.34	+0.01	3.0
Do Accum	6	95.71	97.78xd	104.02	+0.01	3.0

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Securities Ltd				
Charifund	101.88	101.88	+0.1	10.58
(Accum Units)	594.85	594.85	+0.3	10.58
NAACIF Apr 16	–	43.67	+0.1	9.36
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Apr 16	130.5	[illegible]	–	[illegible]
UK Small Co † Apr 16	518.5	[illegible]	–	[illegible]
Fixed [illegible] Apr 16	108.7	[illegible]	–	[illegible]
US S[illegible] Apr 16	148.3	[illegible]	–	[illegible]
Mana[illegible]	108.4	[illegible]	–	[illegible]
Intl B[illegible]	112.8	[illegible]	–	[illegible]
Japan [illegible]	77.00	[illegible]	–	[illegible]
European Apr 16	85.65	[illegible]	–	[illegible]
Nth American Apr 16	103.7	[illegible]	–	[illegible]
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer[illegible] 17	49.48	51.46	+0.28	2.36
Euro [illegible]	50.63	53.17	+0.09	2.15
Fixed [illegible] 17	46.73	47.89	-0.18	10.26
Japan Expt Apr 17	47.76	49.67	+1.57	0.58
Managed Ex Apr 11	44.71	46.51xd	.....	4.34
SE Asia Expt Apr 17	68.95	72.37xd	-0.05	3.75
Sm Cos Expt Apr 17	33.71	35.99	+0.07	4.95
UK Eqty Ex Apr 17	42.82	44.96	+0.07	3.87
Phillips & Drew Fund Management Ltd				
Small Co's Apr 2	707.1	752.0xd	.....	4.5
Do Accum	798.8	849.4	.....	4.5
Int Expt Apr 10	172.7	175.1	.....	2.59
UK Index Apr 2	1160.0	1185.0xd	.....	4.9
Do Accum	1249.0	1273.0	.....	4.9

	Bid Price	Offer Price	+ or -	Yield Gross
City of Westminster Assurance (z)				
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU				
Current Series				
Property Fund	207.2	218.1	.....	–
Secure Gwth Fund	313.8	330.4	+0.1	–
Managed Fund	450.6	474.4	+0.1	–
Equity Fund	252.5	265.8	-1.8	–
Pension Managed Fund	531.5	559.5	+0.5	–
Pension Equity Fund	261.4	275.2	-2.7	–
Pens Adventurous Mgd	222.4	234.2	+1.6	–
Pensions Balanced Mgd	210.1	221.2	-1.5	–
Pens Conservative Mgd	179.7	189.2	[illegible]	–
Adventurous Mngd Fd	171.9	181.0	[illegible]	–
Balanced Mngd Fd	176.8	186.2	-0.7	–
Eagle Star Insur./Midland [illegible]				
60 St. Mary Axe, London EC3 071-929 1111				
Eagle/Mid Units	203.0	210.4	-0.1	4.35
Economic Insurance Company Ltd				
London Rd, Sittingbourne, ME10 1PE 0795 424321				
Managed	123.5	130.1	...	–
Fixed Interest	118.0	124.3	...	–
Equity	131.8	138.8	...	–
Overseas Equity	99.2	104.5	...	–
Guardian Royal Exchange—Contd.				
GRE Linked Life Assurance Ltd				
Managed Initial	367.2	386.5	+3.2	–
Do. Accum	482.5	507.9	+4.3	–
Equity Initial	561.3	590.8	+4.6	–
Do. Accum	737.6	776.4	+6.1	–
Fixed Interest Acc	420.3	442.4	+1.9	–
International Acc	451.2	474.9	+4.8	–
Nth American Acc	149.5	157.4	+3.1	–
Pacific Acc	232.8	245.0	+0.3	–
European Acc	88.9	93.6	+0.4	–
Property Acc	226.4	238.3		–
Index-Linked Acc	159.0	167.4		–
Deposit Accum	230.5	242.6	.....	–
Liberty Life Assurance Co Ltd				
Station Rd, New Barnet 081-440 8210				
Sel Sec A	41.90	44.11	.	–
Managed	36.09	37.99	.	–
Equity	32.40	34.11	.	–
Blue Chip	49.66	52.28	.	–
Special Sits	31.82	33.50	.	–
International	42.94	45.21	...	–
European Fund	12.30	12.95	.	–
American	24.30	25.58	.	–
Pacific	41.23	43.41	.	–
Property	35.43	37.30	.	–
Fixed Yield	27.93	29.41	.	–
Indexed Linked Secs	15.20	16.01	.	–
Deposit	24.89	26.21	.	–
Merchant Investors Assurance Co [illegible] — Contd.				
MI From Recovery	197.0	207.3		–
MI Gar Glob Inc & Gth	150.9	158.8	+0.4	–
MI Gar Gold & Intl Res	102.2	107.5	+0.8	–
MI Gar Pacific Gwth	150.0	157.8	+0.7	–
MI Gar Smaller Co's	188.2	198.1	+0.6	–
MI Henderson Fd	197.0	207.3	+0.8	–
MI Hen American	192.2	202.3	+2.3	–
MI Hen European	197.5	207.8	+0.7	–
MI Hen UK Income	214.9	226.2	+0.3	–
MI Mor Gren Euro Gwth	141.2	148.6	-2.6	–
MI Mor Gren Int Gth	125.9	132.5	+0.9	–
MI Per American Gth	213.8	225.0	+0.6	–
MI Per European Gth	164.9	173.5	-3.0	–

INSURANCES

OTHER UK UNIT TRUSTS

Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

United Charities Unit Trusts (1000)H

Wardley Unit Tst Mngrs Ltd (1200)F

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mngmt Ltd

Willbro Financial Services Ltd (0900)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (17

N M Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Assurance Ltd

Allied Dunbar Assurance Plc—Contd.

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Canbury Life Plc

Citibank Life

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Life Assurance Co Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assurance Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

Manchester Unity Assurance

Merchant Investors Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Co Ltd

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$757.61		----	-
Fixed Income Shares	$881.19		----	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mkts Growth	$11.47		-0.01	-
Yamaichi ISS Fund	$8.47		+0.03	-
Yamaichi CB Plus Fund	$8.87		-0.02	-
Thai Inv Fund	$11.67		----	-

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (a)						
29 Kildare Street, Dublin				010 353 1760 630		
GAM Universal US Mlr Acc	$-		112.79		----	-
GAM Universal US Mlr Inc	$-		112.79		----	-
GAM Universal DM Acc	DM-		118.56		----	-
GAM Universal DM Inc	DM-		118.56		----	-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar	$-		1 00	1.071	+0.01	-

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Bank of Ireland Unit Managers Ltd				
Global Scap	$10.32	10.63	----	-
European Bond	[illegible]	[illegible]	----	-
Investor Portfolio				
EquityAmerica	$11.50	12.20	----	-
EquityEurope	[illegible]	10.36	----	-
BondAmerica	[illegible]	11.06	----	-
BondEurope	[illegible]	10.25	----	-
BondJapan	$10.03	10.64	----	-
World Inv Trust	$10 88	11.54	----	-
Opportunity Europe	$11.47	12.17	----	-
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$15.25	16.02	[illegible]	1.05
Japan Tech	$68.57	72.00	[illegible]	-
Japan Fund	$28.98	30.43	[illegible]	0.17
Japan New Gen'n Fd	[illegible]	22.49	+0.09	-
Malay Sing	[illegible]	60.23	+0.86	0.31
Nth American	[illegible]	22.68	+0.36	[illegible]
Octopus Fund	[illegible]	22.33	-0.01	[illegible]
Pacific Fd	[illegible]	62.52	+0.60	-
International Bond	[illegible]	17.72	-0.03	6.89
Trisiar Warrant	[illegible]	12.84	+0.15	-
Magd Portfolio (Stlg)	[illegible]	4.58	-0.01	-
Magd Portfolio (Dllr)	$10.65	11.27	+0.03	-
Currency Fd-Sterling		£18.60	+0.01	-
Currency Fd-US Dollar		$14.95	----	-
Curr Fd-Deutschemark		DM39.38	+0.03	-
Curr Fd-Managed $	$42.46	44.88	-0.07	-

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund [illegible]
Lord Street, Douglas, IoM [illegible]
ADI Managed(z) [illegible]
ADI Mgd Currency(z) [illegible]
ADI W'wide Eqtz [illegible]
ADI Nth Amer Gr(z) [illegible]
ADI Fa[illegible]
ADI Gilt & [illegible]
ADI UK Cap [illegible]
ADI Europe Fd (z) [illegible]
For conversion Prices [illegible] Phone: 0624 662880

Asset Global Fu[illegible]
Abacus Hse, Mona St, Douglas, IoM [illegible]
French Equity 5 [illegible] 137 8
UK Gilt 5 £10.12 10.12
Intl Equity 5 £14.03 14.03
US Bond 5 $9.75 9.75

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling rally

THE DOLLAR and sterling rallied in subdued foreign exchange trading yesterday. Against a confused interest [illegible] background, the dollar moved higher as traders squared positions ahead [illegible] today's German Bundesbank council meeting [illegible] looked for further [illegible] the timing of any cuts in US and Japanese rates.

US [illegible] figures for February will be published today and are expected to show a smaller deficit than January's $7bn, with some economists looking for a trade [illegible] of less than [illegible] If this [illegible] it would help to underpin the dollar, but would be regarded as largely historic and unlikely to clarify the timing of any US move [illegible] of recession.

Attention [illegible] focused on interest rate trends and [illegible] possible rise in German rates at [illegible] time when the US and Japan may be about to ease.

The Federal Reserve did not intervene on the New York money market yesterday. There had been some speculation that the Fed [illegible] liquidity, [illegible] offset [illegible] at [illegible] end [illegible] maintenance period, but the authorities stayed out of the market as Federal [illegible] of [illegible] per cent.

Speculation has increased this week that the Bank of Japan intends [illegible] nudge short-term interest [illegible] lower, but Mr Yasushi Mieno, the central bank governor, [illegible] yesterday that there has been no change in Japanese monetary policy.

Nervousness ahead of today's Bundesbank council meeting and [illegible] about lower Japanese rates pushed the D-Mark up against the yen. The German currency rose to Y81.50 from Y80.95 in London.

The dollar held in a tight trading range but gained ground against E[illegible] currencies and the yen. At the London close it had climbed to DM1.6725 from DM1.6650; [illegible] from Y134.80; [illegible] SFr1.4270 from SFr1.4175; and [illegible] FFr5.6550 from [illegible] The dollar's index [illegible] to [illegible] from 64.5.

Sterling eased against the stronger dollar, but was otherwise firm. It stayed the second strongest member [illegible] the European exchange [illegible] mechanism, supported by lack of pressure [illegible] further [illegible] in UK bank base rates.

The pound [illegible] 65 points to $1.7820, but [illegible] DM2.9800 from DM2.9775; to FFr10.0775 from FFr10.0650; to SFr2.5425 from SFr2.5350; and to Y243.00 from Y241.00. Its index [illegible] unchanged throughout the [illegible] at 92.9.

The Spanish peseta was strong, at the top of the ERM. Tuesday's news that Spain has scrapped nearly all exchange controls, allowing residents [illegible] open foreign currency accounts while lifting the limits on lending pese[illegible] to non-residents, failed to reduce demand for the [illegible]. High interest rates in Madrid, and [illegible] failure [illegible] the Bank of Spain to ease its monetary stance, kept upward pressure on the currency.

[illegible] IN NEW YORK

Apr.17	Latest	Previous Close
£ Spot	1.7825-1.7835	1.7880-1.7890
1 month	0.86-0.84pm	0.91-0.89pm
3 months	2.47-2.45pm	2.50-2.48pm
12 months	7.50-7.43pm	7.56-7.46pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.17	Previous
8.30 am	92.9	93.1
9.00 am	92.9	93.2
10.00 am	92.9	93.1
11.00 am	92.9	93.1
Noon	92.9	93.1
1.00 pm	92.9	93.1
2.00 pm	92.9	93.0
3.00 pm	92.9	92.9
4.00 pm	92.9	92.9

CURRENCY MOVEMENTS

Apr 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.9	-18.9
U.S Dollar	64.6	-14.9
Canadian Dollar	104.6	+2.0
[illegible] Schilling	108.8	+11.1
[illegible] Franc	110.5	-2.6
Danish Krone	108.8	+3.4
D-Mark	117.0	+23.4
Swiss Franc	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). [illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

* Selling rate

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7815 - 1.7890	1.7815 - 1.7825	0.86-0.84cpm	5.72	2.47-2.44pm	5.51
Ireland†	1.6000 - 1.6095	1.6005 - 1.6015	0.52-0.47cpm	3.71	1.50-1.40pm	3.62
Canada	1.1480 - 1.1510	1.1500 - 1.1510	0.34-0.37cdis	-3.7	0.94-0.99dis	-3.36
Netherlands	1.8705 - 1.8830	1.8820 - 1.8830	0.48-0.50cdis	-3.12	1.40-1.45dis	-3.03
Belgium	34.15 - 34.35	34.15 - 34.25	8.00-10.00cdis	-3.16	24.00-28.00dis	-3.04
Denmark	6.3675 - 6.3970	6.3750 - 6.3800	1.95-2.25oredis	-3.95	5.50-6.10dis	-3.64
Germany	1.6600 - 1.6730	1.6720 - 1.6730	0.42-0.44pfdis	-3.09	1.23-1.26dis	-2.98
Portugal	144.80 - 145.18	144.90 - 145.00	58-68cdis	-5.22	210-240dis	-6.21
Spain	102.60 - 103.10	102.95 - 103.05	66-70cdis	-7.92	182-188dis	-7.18
Italy	1232.00 - 1240.50	1239.75 - 1240.25	5.70-6.20liredis	-5.76	16.50-17.50dis	-5.48
Norway	6.4540 - 6.5000	6.4825 - 6.4875	2.20-2.55oredis	-4.39	6.50-7.00dis	-4.16
France	5.6185 - 5.6575	5.6525 - 5.6575	1.54-1.59cdis	-3.32	4.30-4.40dis	-3.08
Sweden	5.9950 - 6.0300	6.0175 - 6.0225	3.08-3.33oredis	-6.39	8.97-9.47dis	-6.13
Japan	134.70 - 136.40	136.30 - 136.40	0.22-0.25ydis	-2.07	0.57-0.60dis	-1.72
Austria	11.6910 - 11.7500	11.7200 - 11.7250	2.90-3.30grodis	-3.17	8.40-9.60dis	-3.07
Switzerland	1.4160 - 1.4305	1.4265 - 1.4275	0.28-0.31cdis	-2.48	0.78-0.83dis	-2.26
Ecu	1.2335 - 1.2405	1.2350 - 1.2360	0.35-0.34cpm	3.35	1.02-0.96pm	3.21

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7815 - 1.7890	1.7815 - 1.7825	0.86-0.84cpm	5.72	2.47-2.44pm	5.51
Canada	2.0475 - 2.0565	[illegible] - 2.0525	0.44-0.36cpm	2.34	1.22-1.09pm	2.25
Netherlands	3.3500 - 3.3600	3.[illegible] - 3.3600	¼-⅛cpm	2.46	2⅛-1⅞pm	2.38
Belgium	60.90 - 61.40	60.90 - 61.00	18-14cpm	3.15	40-35pm	2.46
Denmark	11.3600 - 11.4275	11.3600 - 11.3700	2¼-1½orepm	1.91	5¾-5pm	1.89
Ireland	1.1115 - 1.1175	1.1135 - [illegible]	0.20-0.15cpm	1.89	0.50-0.40pm	1.62
Germany	2.9750 - 2.9825	[illegible]	⅜-¼pfpm	3.02	2-1¾pm	2.52
Portugal	258.00 - 259.75	258.[illegible]	15-5cpm	0.42	64-120dis	-1.42
Spain	183.35 - 184.35	183.35 - [illegible]	27-36cdis	-2.06	67-78dis	-1.58
Italy	2201.50 - 2212.75	2209.25 - [illegible]	1lirepm-par	0.27	1pm-par	0.09
Norway	11.5400 - 11.6075	11.5525 - [illegible]	11⅛-1⅛orepm	6.62	4⅛-3⅛pm	1.41
France	10.0575 - 10.0850	10.0725 - [illegible]	2⅛-1⅞cpm	2.38	6¼-5⅞pm	2.41
Sweden	10.7150 - 10.7800	10.7225 - [illegible]	par-¼oredis	-0.14	1⅛-1⅝dis	-0.61
Japan	241.50 - 243.50	242.50 - [illegible]	⅞-⅝ypm	3.7	2⅛-2⅛pm	3.70
Austria	20.90 - 21.00	[illegible]	5½-4⅛gropm	2.83	14⅛-12⅛pm	2.52
Switzerland	2.5350 - 2.5475	2.5375 - [illegible]	⅞-⅝cpm	3.24	2⅛-2pm	3.24
Ecu	1.4415 - 1.4475	1.4420 - [illegible]	0.33-0.28cpm	2.54	0.89-0.78pm	2.32

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.51-4.46cpm. 12 Month 7.53-7.43pm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.299	-4.74	6.13	82
Sterling	0.696904	0.691662	-0.75	1.87	23
Italian Lira	1538.24	1529.60	-0.56	1.66	35
Belgian Franc	42.4032	42.4211	0.04	1.06	5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. [illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per [illegible]

MONEY MARKETS

London rates ease

INTEREST RATES had a slightly softer tone in London yesterday, [illegible] news [illegible] bigger [illegible] expected March UK public [illegible] borrowing requirement of £3.1bn having little impact. A further decline in bank base rates is expected,but not in the immediate future.

June [illegible] sterling futures continued to discount a cash three-month interbank rate of slightly less than 11¼ per cent at delivery. In quiet trading on Liffe the contract opened a little higher at 88.68 and finished at 88.67 compared with 88.66 previously.

UK [illegible]
12 per cent
from April 12, 1991

[illegible] cash [illegible] three-month interbank eased to 11¼-11⅛ [illegible] 11⅜-11⅛ per cent, while 12-month money fell to 11⅛-11¼ from 11¼-11⅛ [illegible]

The Bank of England initially forecast a money market credit shortage [illegible] £250m, but revised this to £350m at noon.

The authorities did [illegible] operate in the market until the afternoon, when help was given via [illegible] purchase [illegible] £307m bank bills in band 2 at 11⅜ per cent.

Bills maturing in official hands, repayment [illegible] and a take-up [illegible] Treasury bills drained £145m, [illegible] rise in [illegible] absorbing [illegible] bank [illegible] target £105m. [illegible] outweighed exchequer transactions adding £75m to liquidity.

In Frankfurt [illegible] money eased to 8.80 from 8.85 per cent [illegible] the Bundesbank added a net DM800m at this [illegible] securities repurchase agreement tender. The central bank accepted bids totalling [illegible] a two-tranche tender, offsetting expiring [illegible] of DM25.1bn. It provided DM16.8bn [illegible] DM28-day funds at a fixed rate of 8.60 per cent and DM9.1bn of 63-day money at variable bid rates, mostly 8.90 per [illegible]

Tax payments will keep credit conditions tight in the immediate future, but this will be partly offset by redemptions and interest payments on government paper.

The Bundesbank [illegible] plan to hold a press conference after today's regular council meeting, and sentiment in Frankfurt [illegible] that a rise in official [illegible] is unlikely, despite [illegible] recent speculation.

Credit policy was tightened [illegible] notch with a [illegible] in the fixed [illegible] repurchase agreement, but there has [illegible] no similar move this [illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

Option on long-term French bond (MATIF) Apr 16

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
105	2.12	[illegible]	-	0.23	0.74	1.13
106	[illegible]	[illegible]	2.21	0.47	-	-
107	[illegible]	[illegible]	-	0.88	-	-
108	0.38	[illegible]	-	-	-	-
109	0.17	[illegible]	-	-	-	-
Open Int.	111,178	[illegible]	1,136	121,654	31,693	1,286

Estimated volume 28,823 Total Open Interest 295,383

BASE LENDING RATES

	%		%		%
ABN Bank	12	Comm.Bk.of London Plc	12	McDonnell Douglas Bnk.	12
Adam & Company	12	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12½	Coutts & Co	12	Mount Banking	12
AIB Bank	12½	Cyprus Popular Bk	12	Nat Bk. of Kuwait	13½
● Henry Ansbacher	[illegible]	Dunbar Bank PLC	12	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12	Northern Bank Ltd	12
Bank of Baroda	12	Equatorial Bank plc	12½	Nykredit Mortgage Bank	12½
Banco Bilbao Vizcaya	12	Exeter Bank Limited	12½	Provincial Bank PLC	14
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	13½
Bank of Cyprus	12	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	[illegible]
Bank of India	12	Robert Fraser & Ptnrs.	12½	Standard Chartered	[illegible]
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Unibank plc	[illegible]
Barclays Bank	[illegible]	● Hambros Bank	12	● United Bk of Kuwait	12
Benchmark Bank	[illegible]	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit Bk of Mid East	12	Heritable & Gen Inv Bnk.	12	Unity Trust Bank Plc	12
● Brown Shipley	12	● Hill Samuel	12	Western Trust	12
CL Bank Nederland	12½	C. Hoare & Co.	12	Westpac Bank Corp.	12½
● Charterhouse Bank	[illegible]	Hongkong & Shanghai	[illegible]	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

● Members of British Merchant Banking & [illegible] Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,521 Set by VIXEN

ACROSS

1 The lines of many travelling around (8)
5 Like an American general quietly slumbering (6)
9 See about dilatory dunderhead with much pleasure! (8)
10 In the matter of taxation a German can be an ass (6)
12 Veronica's in good shape after race (9)
13 Worked and played (5)
14 In the church there's a direction about parking (4)
16 Cuts out cheats (7)
19 The decoration so often looks wrong (7)
21 A tie, light in days gone by (4)
24 Call up the first woman outside right (5)
25 A receptacle on certain occasions (9)
27 Relative given silver and brown backed note (6)
28 Plant discovered by an island circumnavigator (8)
29 Distinction bringing unexpected result (6)
30 A sticker for a preservationist group admitting the 500 present (8)

DOWN

1 Here's a wrinkle when about to go into action (6)
2 A quarter scoffed, being tidy (6)
3 The mountain nymph setting love above study (5)
4 Former official receiving £1 in aid (7)
6 Take issue about a stein getting broken – it's a scandal (9)
7 Not now in the minority (8)
8 Bliss or despair, a moving display (8)
11 The guy calling for beer – cold (4)
15 [illegible] may well demonstrate in favour of an in[illegible] (9)
17 Behind everybody else, despite every [illegible] (5,3)
18 A good man – exceptionally sound – blows one's mind! (8)
20 Delightful [illegible] a holiday resort (4)
21 The crazy lady ran to get a length of cord (7)
22 Fix commission (6)
23 Stop men with guns backing up others (6)
26 Sum up the French muddle (5)

Solution to Puzzle No.7,520

KHARKOV CATCHUP / TUTOR PRANKSTER / HIPPOCRAS IGLOO / PETAL TUBETRAIN / BARENBOIM WAKES / GOSSE HOLDFORTH / TREPANNED ROGER / DUKAKIS MAESTRO

هكذا من الاصل

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices April 17

INDICES

NEW YORK

DOW JONES	Apr. 16	Apr. 15	Apr. 12	Apr. 11	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2986.88	2933.17	2920.79	2905.45	2986.88 (16/4)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.26	94.11	93.95	93.75	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 1/10/81)
Transport	1143.51	1123.24	1128.88	1121.12	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.89	218.81	218.18	217.30	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

(◊Day's High 2995.79 (2957.18) Low 2912.13 (2896.29)

STANDARD AND POOR'S	Apr. 16	Apr. 15	Apr. 12	Apr. 11	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite †	387.62	381.18	380.40	377.63	387.62 (16/4)	311.49 (9/1)	387.62 (16/4/91)	4.40 (1/6/32)
Industrials	456.93	452.30	451.12	447.40	456.93 (16/4)	364.90 (9/1)	456.93 (16/4/91)	3.62 (21/6/32)
Financial	30.93	30.16	30.07	30.12	30.93 (16/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	211.71	208.99	208.08	206.64	211.71 (16/4)	170.97 (9/1)	211.71 (16/4/91)	4.46 (25/4/42)
Amex Mkt. Value	369.99	366.87	366.83	365.47	369.99 (16/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	506.75	500.84	501.62	499.31	506.75 (16/4)	355.75 (14/1)	506.75 (16/4/91)	54.87 (31/10/72)

	Apr.12	Apr.5	[illegible]	year ago [illegible]
Dow Industrial Div. Yield	3.45	3.48	3.53	3.98

	Apr.10	Apr.3	Mar.27	year ago (approx.)
S & P Industrial div. yield	2.85	2.81	2.84	3.04
S & P Indl. P/E ratio	18.17	18.44	18.27	15.13

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJ Nabisco	[illegible]	12¼	+ ⅛
Am T & T	[illegible]	37¼	+ 1⅛
Phillip Morris	[illegible]	71⅝	+ 1⅛
Laidlaw B	[illegible]	13⅝	+ ⅛
Citicorp	[illegible]	16⅝	+ ⅜
ADV Micro	[illegible]	13⅝	+ ⅜
IBM	[illegible]	109¼	+ 2⅞
Micron	[illegible]	18⅝	+ 1⅛
Am Express	[illegible]	29⅝	+ 2⅛
Saatchi [illegible]	[illegible]	1⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Apr.16	Apr.15	Apr.12
New York	214,480	161,800	198,610
Amex	13,686	10,497	14,712
NASDAQ	223,449	167,795	185,852
Issues Traded	2,091	2,064	2,056
Rises	1,130	942	930
Falls	523	663	615
Unchanged	438	459	511
New Highs	184	155	121
New Lows	5	4	3

CANADA

TORONTO	Apr. 16	Apr. 15	Apr. 12	Apr. 11	1991 HIGH	1991 LOW
Metals & Minerals	3147.92	3120.02	3123.67	3116.87	3384.18 (5/3)	2632.[illegible] (9/1)
Composite	3539.73	3516.43	3509.39	3504.84	3671.53 (6/3)	3161.[illegible] (15/1)
MONTREAL [illegible]	1866.47	1848.02	1842.21	1840.66	1888.19 (5/3)	[illegible] (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's [illegible] and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Po[illegible] 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) C[illegible] (u) Unavailable.

	Apr. 17	Apr. 16	Apr. 15	Apr. 12	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1490.6	1471.7	1462.7	1455.8	1490.6 (17/4)	1204.5 (16/1)
All Mining (1/1/80)	665.7	660.1	659.4	656.2	673.5 (19/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	533.20	534.81	531.09	526.40	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1212.15	1209.40	1208.07	1206.56	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	350.93	349.86	351.57	351.32	354.26 (4/4)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1143.1	1157.8	1164.1	1163.9	1186.9 (8/4)	890.5 (22/1)
FRANCE						
CAC General (31/12/82)	485.75	487.15	487.88	488.05	493.[illegible] (9/4)	394.80 (15/1)
CAC 40 (31/12/87)	1829.45	1832.91	1832.35	1821.43	1851.[illegible] (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/[illegible])	686.01	680.39	680.28	672.46	686.01 (17/4)	570.48 (15/1)
Commerzbank ([illegible])	1942.30	1926.10	1925.40	1902.40	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1623.83	1603.36	1601.42	1583.14	1623.83 (17/4)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3687.01	3717.46	3714.37	3742.00	3869.70 (3/4)	2984.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1494.37	1482.63	1486.93	1484.05	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	594.91	587.66	591.54	594.20	600.2[illegible] (4)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26980.37	26813.30	26695.53	26582.50	2714[illegible] (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	2028.82	2018.88	2012.06	2004.56	2028.[illegible] (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3387.34	3355.35	3343.78	3220.55	3387.3[illegible] (17/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	580.11	577.28	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	274.9	272.5	274.8	270.7	274.9 (17/4)	221.4 (16/1)
CBS All Shr (End 1983)	200.9	199.2	200.9	197.9	200.9 (15/4)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/[illegible])	718.01	705.61	707.90	709.55	736.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1080.93	1090.46	1095.90	1070.58	1154.73 (8/4)	582.64 (18/1)
SINGAPORE						
[illegible]-Singapore (2/4/75)	405.18	404.06	405.18	404.06	415.46 (15/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1068.06	1066.0	1059.0	1067.0	1367.0 (14/1)	971.0 (25/3)
JSE Industrial (28/9/78)	3457.06	3456.0	3453.0	3474.0	3498.0 (11/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	632.55	635.41	634.52	639.44	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	284.26	282.68	282.84	281.09	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1089.10	1092.90	1098.80	1096.00	1119.8 (18/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	734.2	728.7	(c)	737.2	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	620.8	618.5	(c)	622.6	625.1 (8/4)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5452.06	5313.31	5671.45	5586.46	[illegible] (15/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	890.46	886.03	884.66	(c)	892.78 (11/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	528.2*	525.6	525.8	519.6	528.2 (17/4)	439.1 (16/1)

**Saturday April 13: Taiwan Weighted Price: 5593.10. Korea Comp Ex. 638.21.

§ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – [illegible], JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 17 April 1[illegible]

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Elec	12.6m	910	+20	Canon	4.3m	1,620	+30
Sharp	6.7m	1,550	+60	K'saki Heavy	4.0m	633	-6
NKK	6.9m	446	-9	Nippon Oil	3.9m	1,130	-10
Nippon Steel	4.9m	459	-6	Toshiba	3.9m	840	+5
Chiyoda	4.3m	3,000	+50	S'tomo Bakelite	3.8m	768	+28

Prices data supplied by Telekurs.

3:15 pm prices April 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.04	12	248	13¾	13½	13⅝	
28¼	21⅝	A L Labs A	0.16	0.01	31	619	26½	26	26⅛	
54¾	40⅞	AMP Inc	1.44	0.03	19	2992	[illegible]	[illegible]	53¼	-⅛
63	44¼	AMR				978312	62	[illegible]	62⅜	+1¼
2⅝	1¼	ARX			3	663	2	[illegible]	2½	+⅛
48¾	41½	ASA	3.00	0.07	13	478	46	44⅝	45¼	+⅛
52⅜	39¼	Abbott Lab x	1.00	0.02	23	6012	u54	52¾	53⅞	+1½
13⅝	9⅞	Abitibi Pr x	0.50	0.04	19	20	13½	13½	13½	
11⅜	10⅝	ACM Gvt In x				650	u11⅞	11¼	11⅞	+⅛
9¼	8¾	ACM GvOpp x				90	9¼	9⅛	9¼	
9	8¼	ACM Gvt Sp	1.01	0.11		312	u9	8⅞	8⅞	-⅛
11	9⅞	ACM Gvt Se				246	u11	10⅞	11	
8¼	7⅝	ACM Man x				357	8	7⅞	7⅞	
12⅝	11⅞	ACM Mangd x				271	[illegible]	12¼	12½	
7¼	4¾	Acme Cleve	0.40	0.06	16	23	[illegible]	6½	6⅝	+⅛
6	4⅞	Acme Elect			16	77	5	d4⅞	5	
40	22¼	Acuson			27	2025	[illegible]	35⅞	36	-1⅛
17⅛	14⅛	Adams Expr	0.46	[illegible]	[illegible]	229	[illegible]	17⅛	17¼	+⅛
20⅛	18⅞	Adobe12Pf	2.40	[illegible]		20	[illegible]	20⅛	20⅛	
9⅛	7	Adobe Res			20	710	7⅝	7⅜	7⅜	+⅛
35	18	Ad Micro				210	u35⅞	34½	35	
13⅞	4⅝	Ad Micro P	3.00	[illegible]	16	1488	u14¼	13⅝	14⅛	+⅛
5	2¼	Advest Grp			3	318	u5⅛	4⅝	4⅝	-⅛
48⅞	33⅞	Aetna Li	2.76	0.06		66072	u49⅛	47½	49⅛	+1½
10⅝	6⅝	Allil A	0.24	0.03	25	2195	9	8⅝	8⅝	-⅛
18⅞	12	Ahmanson	0.88	0.05		94660	[illegible]	17⅜	17½	+⅛
6⅞	2⅞	Aileen Inc				6	632	5⅞	5⅞	+⅛
70⅛	51⅜	Air Pr Chm				151610	[illegible]	65⅛	65⅛	-⅛
25	16⅝	Airbne Frt	0.30	0.01	12	386	[illegible]	21	21⅛	+⅛
18⅞	12½	Airgas Inc			18	10	[illegible]	16	16	
15⅛	10	Airlease	2.20	0.19	6	73	[illegible]	12	12⅛	+⅛
[illegible]	88¼	AlaPw8.16				z100	91½	91½	89½	-2
[illegible]	21	AlaPw PfA				2	23⅛	23⅜	23½	+⅛
[illegible]	[illegible]	[illegible]				z100	u103	102½	103	
108	104½	Alab Pw [illegible]				z100	108½	108½	108	-2
100¼	96	Alab Pw 9P				z100	100	100	99½	-½
92¼	88	Alab 8.28C				z100	91	91	90¼	+¾
10¼	9⅞	AlaPwDpPf				18	10⅛	10⅛	10⅛	+⅛
25⅛	17½	Alaska [illegible]	0.20	[illegible]	29	1171	24⅛	24	24⅛	
39⅛	25¼	Borden Inc	1.06	0.03	15	1034	38⅛	37¼	[illegible]	
18⅛	16½	Bostn Celt			14	20	16⅞	16¾	[illegible]	
16	14½	BstnE PfC				24	u16	15⅞	[illegible]	
95½	89	Bost Ed 8 x				3	u95½	94½	[illegible]	
26⅞	19½	Bowater	[illegible]	0.05	10	604	24⅞	24⅝	[illegible]	
11	6⅞	Brazil Fnd				170	10⅝	[illegible]	[illegible]	
30	22⅞	BRE Prop	[illegible]	[illegible]	14	42	29⅝	[illegible]	[illegible]	
32¼	24⅞	Briggs & S			10	82	30½	[illegible]	[illegible]	
80¼	61¼	Bristol M	2.40	0.03	23	7248	u80⅝	[illegible]	[illegible]	
33⅞	24½	Brit Airwy	2.21	0.06	3	383	29¼	[illegible]	[illegible]	
49⅞	40⅞	Brit Gas			46	69	44⅝	[illegible]	[illegible]	
77½	68⅞	BP ADR	4.28	0.06	11	468	76⅛	[illegible]	[illegible]	
31½	26⅞	BP Prudhoe	3.48	0.12	9	141	30⅛	[illegible]	[illegible]	
8⅞	6⅛	BP Wts93				1365	6⅝	[illegible]	[illegible]	
27⅝	21	Brit Steel			4	155	26⅛	[illegible]	[illegible]	
68	51¼	Brit Tel			15	579	66⅛	[illegible]	[illegible]	
12⅝	4⅞	Broad Inc	0.20	0.02	9	82	11⅞	[illegible]	[illegible]	
30	28	Brkl[illegible]				6	29¼	[illegible]	[illegible]	
29⅝	27	Brooklyn U x	1.90	0.07	12	[illegible]	28⅛	[illegible]	[illegible]	
28	21⅝	Brown Grp	1.60	0.06	14	[illegible]	27⅞	27⅛	[illegible]	
12⅝	6⅞	Brown&Shrp				3	[illegible]	11½	[illegible]	
28⅞	20⅞	Browning F	0.68	0.02	17	7746	28⅛	27⅛	[illegible]	
4⅛	2⅛	BRT				1	3	3⅜	3⅜	
15¾	8⅞	Brunswick	0.44	0.03	17	1780	14⅝	14⅜	[illegible]	
19⅞	14⅞	Brush Well	0.72	0.04	16	380	17½	17	[illegible]	
27½	23⅞	Buckeye Pt	2.60	0.10	9	44	27	26⅞	[illegible]	
16⅛	13	Bunker Hil	1.64	0.11	0	12	15	15	[illegible]	
13⅞	10¼	Burger K I	1.68	0.12	11	33	13½	13⅜	[illegible]	
12⅝	8⅞	Burl Coat			13	52	12⅜	12⅛	[illegible]	
32¼	26¼	Burl North	1.20	0.04	10	5412	29⅞	28⅛	[illegible]	
39½	32⅞	Burlin Reso	0.70	0.02	25	2280	38⅛	38⅜	[illegible]	
15⅞	11⅛	Burnham Pc	1.36	0.09	52	38	15⅛	15⅛	[illegible]	
2⅞	⅞	Businessln				1	720	2	1⅞	[illegible]

[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	4⅞	RAC Mortg	0.60	[illegible]	[illegible]	[illegible]	7¼	7	7⅛	+⅛
12⅞	4½	RJRNab Wts				[illegible]	12⅝	11¾	11⅞	-⅛
16⅛	11⅞	RLI Corp	0.44	0.03	7	[illegible]	15⅞	15½	15⅝	-⅛
8	4	RM Timm	0.10	0.02	3	[illegible]	6⅛	6⅛	6⅛	+⅛
11¼	6⅞	ROCTaiwan					10⅜	10⅝	10⅜	-⅛
6¼	4⅞	RPS Realty	0.80	0.13	8	210	u6¼	6	6⅛	-⅛
73½	48⅝	Racal ADR				221461	72¾	70¼	71¼	+1½
60⅛	46⅞	Ralston Pu	1.08	0.02	17	2482	u60⅛	58⅝	58¾	-1¼
29⅝	21¼	Raychem Co	0.32	0.01	7	848	25¾	23⅞	25¼	+1¼
34⅞	18¼	RayJames F	0.14	0.00	25	38	34½	33⅝	34½	+½
84½	65⅞	Raytheon	2.40	0.03	9	1829	82	80¼	81½	
35⅝	26⅛	ReadrD A x	0.60	0.02	23	632	u35	35¼	35	+1
2½	1½	Reading&B				1	592	2⅛	2⅛	
17½	12⅝	RealEstTr	1.42	0.08	14	43	17	16¾	17	+⅛
8¼	4⅞	RecognitEq			3	467	u7⅞	6¼	7⅛	+1⅛
25¼	10⅜	Reebok Int	0.30	0.01	16	8834	u25⅝	24⅞	25	+⅛
⅞	⅜	Regal Intl			14	7	½	½	½	
12⅞	8⅛	Reich&Tang				5	[illegible]	12	11¾	11⅞	-⅛
7½	4½	Reliance	0.32	0.05	66	[illegible]	6¼	5⅞	6¼	+⅛
27¼	20⅜	Repsol ADR				131626	25⅞	25½	25⅞	+⅛
60½	47	Repub N Y	1.40	0.02	10	156	u61⅞	60½	61	+½
3⅝	1¼	Resene Crp				30	46	2⅞	2⅛	2⅛	+⅛
21⅛	16	Reynolds&R	0.84	0.04	10	115	u21⅝	21⅛	21⅛	+⅛
65⅞	52	Reynolds M	1.80	0.03	12	2031	61	58½	60⅝	+2
34	23	RhoneP ADR				z100	u34	34	31¾	-2¼
18½	9⅝	RhoneP ADS				1061	18⅛	18	18⅛	
85⅛	67⅞	RhoneP Por	0.84	0.01	267	825	80	78½	78¼	-⅛
19½	10⅛	RhoneP SA				352	19⅛	18½	19	-⅛
47⅞	35½	Rite Aid x	1.00	0.02	17	1084	48⅛	46⅛	46⅞	-½
0.15	⅛	River [illegible]				0	10	⅛	⅛	⅛	
11⅞	7⅞	Robert [illegible]				14	z100	11⅞	11¾	11⅞	-⅛
20⅝	17⅞	Roch G&E	1.82	0.08	11	211	20½	20⅛	[illegible]	+⅛
30½	26	Roch Tel x	1.60	0.05	17	86	30⅞	30⅛	[illegible]	+⅛

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8⅞	6⅞	SterlgBcp	0.22	[illegible]	8	22	7⅞	7	7	-⅛
7⅛	4⅞	SterlgChm	0.30	[illegible]	4	816	5⅛	5	5⅛	
14½	7⅞	SterlgSwr			15	321	u14⅝	14⅛	14⅜	
6	3⅛	Stifel Fin			82	12	5⅛	5⅛	5⅛	
38¼	26⅝	Stone&Web	0.80	0.02	60	171	30½	30⅜	30⅜	
18⅞	9	Stone Con	0.72	0.05		22211	16⅛	14⅞	15⅛	+⅛
6⅛	3½	Stoneridge			7	36	5	4⅞	4⅞	+⅛
8¼	6⅞	Storage E	0.80	0.10	6	31	u8⅛	8⅛	8⅛	-⅛
38¼	17¾	Storage T				171663	38⅛	36⅞	37⅞	+1
36	20½	Stratus			20	947	u36⅞	35	35	+⅛
48⅞	26⅝	StrideRite	0.48	[illegible]	26	717	48⅛	45½	46⅞	+⅛
25¾	20⅜	Sturm Rgr	1.20	[illegible]	9	23	24⅞	23½	24⅞	+⅛
8⅝	5⅞	Suave Shoe	0.30	[illegible]	12	33	7	7	7	-⅛
9⅛	7⅛	Sun Dis A	1.10	[illegible]	4	72	8	[illegible]	8⅛	-⅛
4⅞	2½	Sun Dis B	1.32	[illegible]		429	3⅞	[illegible]	3⅞	
12⅞	7⅛	Sun Electr			24	704	10⅛	9¼	10	+⅛
10⅛	8⅛	Sun Energy	1.62	0.18	11	55	9⅛	9	9⅛	
33½	23⅞	Sundstrand	1.10	0.03	10	2589	u33½	33⅛	[illegible]	+⅛
6⅛	3⅞	SunshineFI				113	4⅞	4⅛	4⅛	
2⅛	1⅛	SunshineMn				1748	1⅛	d1¼	1⅛	-⅛
29⅞	20½	Suntrust	0.92	0.03	11	1051	u30⅞	29⅝	30⅞	+⅛
18½	14⅛	Super Food	0.34	0.02	11	124	18½	18	18	-⅛
28½	21⅞	Super Valu	0.66	0.02	13	1357	27½	27	27⅜	+⅛
22¾	17⅛	Superior x	0.28	0.01	15	144	22½	[illegible]	22⅞	-⅛
14½	11½	Swiss Helv				62	12⅞	[illegible]	12⅞	-⅛
20	10⅝	Symbol Tec				624597	u21	[illegible]	20⅞	+1⅛
9⅞	7⅛	Syms Corp			9	105	9⅛	8½	9⅛	
18⅛	13⅛	Synovus Fn	0.38	0.02	14	47	15⅞	15⅛	15⅞	+⅛
85½	53¼	Syntex Crp	0.40	0.00	9	73043	85¼	[illegible]	85	+⅛
40⅛	30	Sysco Corp	0.28	0.01	23	2066	39	[illegible]	37⅞	-1
8⅞	4⅞	Systems Co				2	72	7⅞	[illegible]	7⅞	+⅛

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21⅛	14⅛	Xtra 1.94				220	20⅞	20	20	
24⅞	14⅛	Xtra Corp	0.72	0.03	12	16	23⅝	23⅛	23⅝	-⅛
7⅛	5	Zapata			0	116	4⅞	4⅞	4⅞	
9⅝	6⅛	ZenithElec			4	248	8½	8⅛	8⅛	-⅛
18⅛	12	[illegible] Nat	1.00	0.06	36	20	17⅞	17⅞	17⅞	-⅛
6	4½	[illegible] nc x	0.87	0.16		135	5⅞	5⅝	5⅝	-⅛
14⅛	10⅞	[illegible] Corp	0.72	0.05	14	215	14⅛	13⅞	13⅞	-⅛
41⅞	[illegible]	[illegible] nd	0.86	0.02	13	368	34½	34	34⅛	-⅛
12⅛	[illegible]	[illegible] nd x				479	u12⅛	12	12⅛	+⅛
9⅛	[illegible]	[illegible] nd x				660	u9⅝	9⅛	9⅛	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. [illegible] declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. [illegible] t-dividend paid in stock in preceding 12 months, [illegible] dividend or ex-distribution date. [illegible] halted. vi-in bankruptcy or receivership [illegible] under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices April 17

NASDAQ NATIONAL MARKET

pm prices April 17

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
XBlinx		84	4272	u26½	24	25½	+1¼
XL Data		8	381	6¼	6	6	-⅛
Xoma Corp			1820697	31¼	28¾	30¼	+2¼
YankeeEnS	1.52	17	206	u23⅛	22	23	
Yellow Fr	0.94	13	783	32⅞	31⅞	31⅞	-⅛
York Rsch		19	2792	19½	17¼	18⅞	+2
ZionsUtah	1.44	9	160	u42¼	40¾	41½	+⅛

FINANCIAL TIMES
Thursday April 18 1991

AMERICA

Dow breaks through 3,000 in heavy turnover

Wall Street

THE DOW Jones Industrial Average broke through the 3,000 barrier on several occasions yesterday morning as heavy investor demand, stimulated by hopes of an economic recovery, pushed share prices to new highs, *writes Patrick Harverson in New York.*

By 1.30 pm the Dow was up 20.30 at 3,007.18. The broader-based Standard & Poor's 500 also rose, up 2.95 at 390.57 by 1 pm, while the Nasdaq composite of over the counter stocks climbed 5.50 to 512.25.

Turnover on the New York SE was exceptionally heavy at 153m shares by 1pm, boosted by computer program trading and strong institutional demand. Advancing shares were outpacing declining shares by 928 to 551.

After opening slightly weaker, steady buying of blue-[redacted] pushed [redacted] Dow over 3,000 [redacted] 11.30 am. The index then slipped back, before passing the mark again an hour later. Analysts have been expecting the Dow to set a new record soon, and after the 53-point gain on Tuesday, yesterday was seen as the most likely day for a new closing high for the blue-chip index.

Although the current reporting season has so far been a mixture of good and bad, the market has risen on the belief that the recession is nearly over. The fact that the Federal Reserve has not cut interest rates recently, while initially disappointing, is now being interpreted as a sign that the Fed is confident the economy can rebound from its trough without the need for lower interest rates.

Among individual issues AT&T rose $⅜ to $38¼ on turnover of 1.7m shares after the telecommunications group unveiled earnings of 65 cents a share in the first quarter, up from 62 cents a share a year earlier. AT&T also said it was not ready to raise its bid for NCR, the computer group which has resisted AT&T's unwanted $110 a share bid. Yesterday NCR shares were unchanged at $98⅝.

United Technologies slumped $1¼ to $45⅝ on turnover of 2.3m shares after the defence group reported, late on Tuesday, a fall in first quarter income from $1.01 a year ago to 25 cents this year.

Philip Morris, one of the market's biggest stocks, eased $⅛ to $71¼ after the tobacco and foods group met market expectations with net earnings of $942m in the first quarter. In spite of announcing a loss of $195.6m for the first three months of this year, AMR, the parent group of American Airlines, rose $1⅝ to $62¼. Analysts had predicted a dire first quarter for the group.

Harcourt Brace Jovanovich, the troubled publishing and insurance group, fell $⅛ to $⅜ after General Cinema, the cinema and retailing company, said that talks with Harcourt bondholders had broken down, threatening the merger agreement between the two companies. General Cinema shares slipped $⅝ to $23⅜ on the news.

Canada

TORONTO followed Wall Street higher in midday trade. The composite index gained 7.3 to 3,547.0. Advances led declines by229 to 187 in volume of 15.9m shares.

Speculators pushed the turnround candidate, Campeau, up 27 cents to C$1.20, breaking a 52-week high, in heavy volume of 803,000 shares. The former high-flyer has said that it is considering restructuring and spinning off its US store units as part of its bankruptcy plans.

Inco jumped C$¾ to C$40¼ after reporting first quarter net late Tuesday of 50 cents per share versus 64 cents.

SOUTH AFRICA

JOHANNESBURG [redacted] in uneventful trading. The all-share index gained [redacted] 2,996, the all-gold index was up 2 to 1,068 and the industrial index was 1 higher at 3,457. De Beers put on 75 cents to R77.75.

EUROPE

Bourses reflect New York and international liquidity

THE CONTINENT [redacted] encouraged by Wall Street's overnight performance, and [redacted] levels of liquidity among international investors, [redacted] *Our Mar[redacted]*

PARIS ignored poor [redacted]pany [redacted] and, thanks to Wall [redacted], the [redacted] finished up 26.54 or [redacted] per cent at 1,829.45.

Thomson-CSF [redacted] FFr6 [redacted] FFr152. [redacted] on Tuesday [redacted] defence electronics [redacted] reported a fall in 1990 profits but held the dividend. Michelin, the tyre maker, put on FFr1.40 to FFr69.60 in spite of [redacted] and warnings of further losses in 1991. Peugeot, with earnings scheduled [redacted] release early today, rose FFr2 to FFr538.

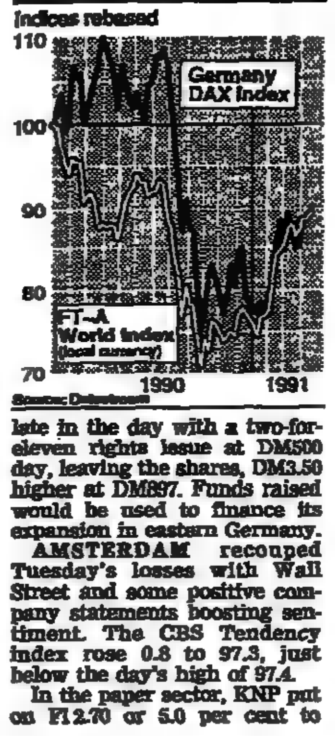
In the retail [redacted], Nouvelles Galeries fell FFr79 or 8.9 per cent to FFr801 with a small 2,200 shares traded after news [redacted] company Proventus [redacted] stake to Galeries Lafayette and CCF, [redacted] bank, defusing [redacted]lation of a possible [redacted] bid. [redacted] Lafayette, which now has a stake of 38.39 per cent in Nouvelles Galeries, lost FFr35 to FFr1,730.

FRANKFURT climbed to its [redacted] this year, [redacted] FAZ [redacted] peaking 5.62 higher [redacted] 686.01 and the DAX hitting [redacted] new 1991 high of [redacted]

[redacted] climbed again, from [redacted] DM8.2bn. Daimler led the market up, putting on DM17.50 to D[redacted] the [redacted] motor industry's relatively strong performance, and on the excellent sales of its new 'S' series, said Mr Jens [redacted] Finck in Düsseldorf.

Chemicals rose further on yield considerations, [redacted] BASF up DM3.90 to DM250.90 ahead of today's supervisory [redacted] meeting, at which the dividend will be decided. In pharmaceuticals, Altana rose DM20.50 to DM578 on higher profits and dividend.

Special situations saw Conti-[redacted] up another DM8.50 to [redacted] suspected [redacted] buying of the Pirelli target. [redacted] good prospects for the world paper industry with a DM9 rise to DM274. Bilfinger & Berger, the construction group, came late in the day with a two-for-eleven rights issue at DM500 day, leaving the shares, DM3.50 higher at DM897. Funds raised would be used to finance its expansion in eastern Germany.



AMSTERDAM recouped Tuesday's losses with Wall Street and some positive company statements boosting sentiment. The CBS Tendency index rose 0.8 to 97.3, just below the day's high of 97.4.

In the paper sector, KNP put on Fl 2.70 or 5.0 per cent to Fl 56.40 after the company forecast a rise in first half 1991 net profit. Buehrmann Tetterode, which [redacted] some joint [redacted] with KNP, put on Fl 2.50 or 4.2 per cent to Fl 62.

[redacted] Kluwer, the publisher closed Fl 2.10 or 3.8 per cent higher at Fl 56.50 after saying that it expected 1991 net profit to rise at least 15 per [redacted] and [redacted] negotiating to buy [redacted] major European legal publisher.

MILAN was led higher by [redacted] and insurers on the first day [redacted] May trading account. The Comit index rose [redacted] gained L440 or 1.2 per cent to L37[redacted] on persistent rumours that it planned to buy Toro from Fiat and in spite of a denial from Fiat. Toro jumped L445 [redacted] 1.7 per cent to L27,155.

Demand for banks focused on three state-controlled insti-[redacted] Banco di Roma, soon to be merged with Banco Santo Spirito, climbed L58 to L2,733 and Credito Italiano put on L36 to L2,606. Banca Commerciale rose L50 to L94,730.

BRUSSELS featured [redacted] Belgique, which jumped BFr100 or 4.5 per cent to BFr2,340. It announced a divestment programme, and sharply lower profits on Tuesday. The Bel20 [redacted] index rose 2.75 to 1,212.15.

VIENNA [redacted] trading boosted by the surprise announcement that magnesite producer Radex had bought a majority stake in Veitscher, the other main Austrian producer. But the index eased 1.1 from its third successive high [redacted] the year [redacted] 594.95 as Radex and Veitscher each [redacted] Sch45. to Sch925 and Sch810 respectively.

COPENHAGEN was restrained by losses at Hafnia, the insurer and [redacted] rights issue at Sophus Berendsen which controls the London-listed Rentokil.

Hafnia 'B' shares fell DKr20.50 to DKr509.50 and Baltica, in which Hafnia has [redacted] 30 per cent equity stake, by DKr20 to DKr740. Berendsen [redacted] DKr20 to DKr1,480 but the CSE [redacted] reflecting [redacted] changes in the AP Möller shipping group, still managed to close 1.07 higher at 350.93.

STOCKHOLM ended lower on [redacted] orders dropped 11 per cent in February. The Affärsvärlden general index fell 3.8 [redacted] 1089.1. OSLO [redacted] lifted by higher oil prices. The all-share index climbed 7.02 to 482.11 in turnover worth NKr272m.

ZURICH saw recoveries in pharmaceuticals [redacted] the [redacted] Suisse index rose 3.9 to 558.2.

FT-SE Eurotrack 100 - Apr 17

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1121.91	1121.74	1123.05	1125.51	1125.44	[redacted]	1126.10	[redacted]

Day's High 1127.11 Day's Low 1121.01

Apr 16	Apr 15	Apr 12	Apr 11	Apr 10
1113.65	1125.46	1116.71	1108.39	[redacted]

[redacted]

ASIA PACIFIC

Nikkei rises above 27,000 on heavy arbitrage buying

Tokyo

HEAVY arbitrage buying pushed share prices up yesterday and, while hopes of monetary easing subs[redacted] with [redacted] clear action from the central bank, the overnight rally on Wall Street boosted sentiment, *writes Emiko Terazono in Tokyo.*

The Nikkei average opened at the day's low of 26,859.35, topped 27,000 for the first time since March 19 for a day's high of 27,092.02, and closed 167.07 higher at 26,980.37.

Domestic institutions stayed away, but volume rose from 380m to 450m shares. Mr Masami Okuma at UBS Phillips & Drew said that the rise in volume reflected the return of investors from smaller markets to the first section.

Advances led declines by 619 to 372, [redacted] unchanged. The Topix index of all first section issues rose 9.99 to 2,028.82 and, in London, the ISE/Nikkei 50 index rose 1.59 to 1,540.42.

Companies [redacted] on heavy business exposure in the US. Bridgestone, [redacted] tyre maker, added Y30 to Y1,150, and Makita Electric Works Y50 to Y2,150. Mr Nick Cant at Baring Securities said that the activity indicated that investors were willing to commit money into companies on hopes of an early recovery of the US economy.

Electricals were also strong on Wall Street. Sony added Y150 to Y6,790, and TDK Y200 to Y5,880. Electrical machinery makers were stronger on the labour saving theme. Fanuc rose Y200 to Y5,790 on sales of its industrial robots, and Fuji Electric, the most active issue of the day, added Y20 to Y910 on growth in automation equipment.

[redacted] climbed [redacted] on [redacted] will [redacted] a compact [redacted] recording system. Taiyo Yuden, an electrolytic capaci-[redacted] which [redacted] expected to supply the blank compact discs, also rose Y101 to Y1,090.

Interest rate sensitive, large-capital issues fell on profit-taking, Nippon Steel [redacted] Y6 to Y489 and [redacted] Heavy Ind[redacted]tries by Y6 to [redacted]

Sanwa Shutter rose Y60 to Y1,710 on strong earning forecasts thanks to brisk sales of its shutters, sliding doors and doors. Buying spread throughout the sector, with Bunka Shutter adding Y50 to Y2,300 and Sankyo Aluminium Industry climbing Y10 to Y1,720.

Nippon Oil rose on higher oil prices. Rumours that some countries in the Gulf will join up with Japanese distributors in new projects also encouraged investors, but the issue fell on profit taking and ended down Y10 at Y1,130. Cosmo Oil fell Y9 to Y810.

Retailers gained on good earnings results for the year ending last February. Ito Yokado, the supermarket chain which posted 11.4 per cent in pre-tax profits, rose Y20 to Y4,370, and Seven Eleven Japan, which announced a 26.2 per cent rise in pre-tax profits, added Y230 to Y7,300.

In Osaka the OSE average rose 98.62 to 30,156.12 on vol-[redacted] of [redacted] Rohm, a [redacted] equipment maker, added Y80 to Y3,030 on heavy buying by a major Japanese brokerage. Investors were attracted to forecasts of a 20 per cent rise in pre-tax profits for the current year.

Roundup

THE ENTHUSIASM of the region's response to Wall [redacted] overnight [redacted] blunted by airport fears in Hong Kong. Kuala Lumpur and Jakarta [redacted] still [redacted] for a public holiday. Bombay [redacted]

HONG KONG talked about the stalled airport talks, added fears about a planned rail strike in the US, and accepted that consolidation was in order after the market's recent dramatic gains.

The Hang Seng dropped 30.45 to 3687.01 as turnover eased from HK$1.12bn [redacted] HK$992m. [redacted] posted [redacted] sharpest losses, followed by properties and [redacted] commercial and indus-[redacted] Utilities declined moderately.

NEW ZEALAND, a recent form horse, was given an additional boost by news that the domestic consumer price index rose by only 0.6 per cent in the quarter ended March 31, the smallest quarterly rise since 1969. Equities rose 2.3 per cent as the Barclays [redacted] 33.08 higher at 1,458.73, and turnover rose from NZ$30.8m to NZ$35.7m.

Fletcher Challenge led from the front, 10 cents higher at NZ$3.90 in volume of 3.2m shares. Brierley Investments, which has tended to lag behind other stocks during the recent rally, picked up 3 cents to NZ$1.09 on the heaviest individual volume of 5.3m shares.

TAIWAN rebounded from Tuesday's 6.3 per cent fall. The weighted index rose 137.75, or 2.6 per cent, to 5,451.08. Turnover, however, fell from T$78.7bn to T$58.7bn.

SINGAPORE came back from [redacted] holiday to a gain of 1.9 per cent, the Straits Times index [redacted] 27.62 higher at 1,513.52 as turnover climbed from [redacted] S$194m.

AUSTRALIA rose 1.3 per cent, with the accent again on industrials [redacted] the All Ordinaries index finished [redacted] higher at 1,490.6, [redacted] highest level [redacted] September [redacted] market's fifth [redacted]

Activity [redacted] concentrated in [redacted] and [redacted] was not high in spite of a rise from A$164m to A$237m. The property, [redacted] engineering and finance group, Lend Lease, [redacted] to A$16.55 [redacted] said that it would form a joint venture with State Bank of New South Wales in the life insurance and retirement savings business. News Corp gained 28 cents at A$9.06, largely following a rise in the stock on Wall Street.

MANILA saw more profit-taking as the composite [redacted] fell 9.53 to 1,080.93, after a decline of 5.44 on Tuesday.

Institutional interest shows revival

Turnover continued its recovery in March, writes Antonia Sharpe

EUROPEAN equity [redacted] over [redacted] its steady recovery in March. The receding spectre of the Gulf war and cuts in interest rates in some countries encouraged institutional investors to return in force.

Mr James Cornish at County NatWest, which provides the monthly figures, says that in general volumes were highest at the start of the month, with another run-up before the Easter holiday.

The UK was the month's star performer as turnover rose 15.3 per cent from February to £36.76bn, its best monthly figure since the £39.7bn of January 1989. Investors were attracted back to the UK by a relatively neutral budget, a further half-point cut in interest rates and a more positive perception of the economy.

According to the FT-Actuaries indices, the UK has risen 18 per cent since the start of the year in local currency terms, marginally ahead of the Europe index which shows an advance of 17.8 per cent. Mr David Roche at Morgan Stanley believes that it is time to shift out of the UK and into Germany, which shows a smaller rise of 13.3 per cent so far this year. He argues tha[illegible] lot of liquidity in the UK is being swallowed up by rights issues and that the market is no longer looking cheap.

"Common perceptions of the costs of unity have driven the German market below where it was in November 1989 in terms of relative performance to the UK," Mr Roche says. Turnover in Germany rose a mere 1.7 per cent to DM122.90bn in March, but this was still its best performance since August 1990's DM142.8bn.

After the UK the Nether-[redacted] showed the largest monthly rise, with [redacted] 10.2 [redacted] cent climb to Fl 15.30bn, [redacted] the highest level [redacted] August's Fl 17.90bn. Mr Rob [redacted] Banque [redacted] Nederland NV [redacted] the improvement mainly to the [redacted] dollar which helps the dollar-denominated earnings of Dutch companies. The rise on Wall S[redacted] played its [redacted], since shares which accoun[redacted] 50 per cent of Dutch market turnover (Royal Dutch and Unilever being the two leading shares with ADR programmes) are actively traded in the US.

[redacted] FT-Actuaries [redacted] show that Amsterdam [redacted] per cent in local currency terms so far this year, but in March alone it rose 7.8 [redacted] that while there [redacted] of [redacted] investment in Dutch shares in March, this has been less apparent so far in April, with options activity on the [redacted]

[redacted] to advance in March, [redacted] per cent better at Pta803.60bn, the [redacted] July 1990 when it reached Pta834.4bn. Mr Victor Galliano of Baring Securities says that investors were attracted by signs of continuing improvement on the inflation [redacted] and [redacted] sustained downward movement of interest rates. Renewed takeover speculation in the utility sector [redacted] provided [redacted]

The only bourse to show [redacted] drop in turnover last month was [redacted] 3.4 per cent. Howe[redacted], v[redacted]e had risen 80 per cent the previous month.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Dec 1990	Jan [redacted]	Feb 1991	Mar 1991	US [redacted]
Belgium	18.58	21.59	41.62	46.48	[redacted]
France	92.30	†79.00	†106.80	110.40	19.09
Germany	78.00	81.40	120.90	122.90	72.08
Italy	10,007.60	8,672.40	15,692.40	[redacted]	11.87
Netherlands	7.15	11.02	13.88	15.30	[redacted]
Spain	614.49	496.46	742.61	803.60	[redacted]
Switzerland	8.30	12.00	14.20	*14.70	10.11
UK	23.80	24.50	31.87	36.76	66.96

*Volumes represent purchases and sales. * Provisional figure. † Revised figure.*
[redacted] include off-market trading. Some [redacted] be revised.
Source: County NatWest WoodMac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The [redacted] Times Limited, Goldman, [redacted] Co., [redacted] County [redacted] Mackenzie in conjunction with the Institute [redacted] Actuaries and the Faculty of [redacted]

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY APRIL 16 1991: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 15 1991: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991 High	1991 Low	Year ago (approx)
Australia (74)	137.77	+0.6	[redacted]	117.39	[redacted]	117.57	+0.7	5.78	[redacted]	113.66	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	134.28
Austria (19)	213.04	+1.3	[redacted]	181.53	[redacted]	184.72	+1.0	1.43	[redacted]	174.51	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	280.25
Belgium (60)	143.16	+0.2	[redacted]	[redacted]	[redacted]	121.10	+0.2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Canada (116)	140.09	[redacted]	116.13	[redacted]	[redacted]	116.51	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	126.49	[redacted]
Denmark (31)	244.28	−0.6	202.50	[redacted]	[redacted]	212.14	−0.7	1.57	[redacted]	203.67	206.87	[redacted]	[redacted]	270.56	217.74	249.21
Finland (21)	124.03	−0.4	[redacted]	[redacted]	107.37	101.92	−0.9	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	90.61	[redacted]
France (112)	141.12	−0.3	[redacted]	[redacted]	122.15	[redacted]	−0.8	[redacted]	141.52	[redacted]	[redacted]	123.26	125.53	[redacted]	[redacted]	166.43
Germany (88)	113.80	+0.6	94.34	96.96	98.51	[redacted]	+0.0	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	135.23
Hong Kong (46)	152.07	+0.3	126.06	[redacted]	[redacted]	[redacted]	+0.3	[redacted]	[redacted]	[redacted]	[redacted]	132.12	[redacted]	[redacted]	119.62	[redacted]
Ireland (16)	166.72	−0.1	138.20	[redacted]	[redacted]	[redacted]	−0.2	3.11	[redacted]	[redacted]	[redacted]	145.37	[redacted]	[redacted]	[redacted]	188.80
Italy (91)	81.72	−0.2	[redacted]	[redacted]	[redacted]	[redacted]	−0.7	[redacted]	[redacted]	[redacted]	69.61	[redacted]	[redacted]	[redacted]	[redacted]	103.12
Japan (452)	145.45	+0.2	[redacted]	[redacted]	[redacted]	[redacted]	+0.4	0.69	145.18	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Malaysia (33)	235.10	+0.2	[redacted]	200.32	203.51	[redacted]	+0.0	3.06	[redacted]	[redacted]	[redacted]	[redacted]	247.15	[redacted]	[redacted]	217.02
Mexico (12)	861.42	+0.6	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0.24	[redacted]	[redacted]	[redacted]	745.57	2800.85	[redacted]	[redacted]	[redacted]
Netherland (40)	143.58	−0.3	119.02	122.34	124.29	122.93	−0.9	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	140.84
New Zealand (14)	48.96	+0.1	40.58	41.72	42.38	43.90	−0.5	[redacted]	[redacted]	40.51	[redacted]	42.58	[redacted]	[redacted]	41.18	62.12
Norway (30)	196.52	−0.4	162.91	167.45	170.12	[redacted]	−0.3	[redacted]	197.22	[redacted]	[redacted]	[redacted]	[redacted]	223.24	[redacted]	230.06
Singapore (25)	197.64	+0.3	[redacted]	[redacted]	171.06	[redacted]	+0.0	2.11	197.14	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
South Africa (60)	203.22	−0.5	[redacted]	173.16	175.91	[redacted]	+0.3	[redacted]	204.29	[redacted]	[redacted]	[redacted]	[redacted]	208.54	173.00	[redacted]
Spain (41)	163.92	+0.0	[redacted]	[redacted]	[redacted]	[redacted]	−0.2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	171.12	[redacted]	149.02
Sweden (27)	188.11	−0.8	[redacted]	160.29	162.84	[redacted]	−0.6	[redacted]	[redacted]	[redacted]	[redacted]	165.11	[redacted]	[redacted]	[redacted]	181.35
Switzerland (65)	95.88	−0.8	[redacted]	81.71	83.01	84.26	−1.2	[redacted]	[redacted]	[redacted]	82.19	[redacted]	[redacted]	[redacted]	[redacted]	91.48
United Kingdom (295)	181.24	−0.8	150.24	[redacted]	[redacted]	[redacted]	−0.8	[redacted]	[redacted]	151.47	155.33	[redacted]	[redacted]	[redacted]	[redacted]	146.90
USA (525)	157.07	+1.7	[redacted]	[redacted]	[redacted]	[redacted]	+1.7	[redacted]	[redacted]	[redacted]	131.28	[redacted]	[redacted]	[redacted]	[redacted]	139.41
Europe (936)	144.81	−0.4	120.04	[redacted]	[redacted]	[redacted]	−0.6	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	123.67	[redacted]	125.50	141.48
Nordic (109)	183.71	−0.6	152.26	[redacted]	159.02	155.41	−0.6	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	187.71
Pacific Basin (646)	144.99	+0.2	120.19	[redacted]	125.51	[redacted]	+0.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	129.44
Euro−Pacific (1582)	145.27	+0.0	[redacted]	[redacted]	125.74	[redacted]	[redacted]	[redacted]	[redacted]	120.45	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	134.66
North America (641)	155.94	+1.6	129.27	132.89	[redacted]	[redacted]	+1.6	[redacted]	[redacted]	127.14	[redacted]	[redacted]	[redacted]	[redacted]	125.91	[redacted]
Europe Ex. UK (641)	122.81	−0.1	101.81	[redacted]	[redacted]	[redacted]	−0.5	[redacted]	122.87	[redacted]	[redacted]	107.06	[redacted]	129.80	[redacted]	136.18
Pacific Ex. Japan (194)	138.61	+0.3	[redacted]	116.12	119.99	[redacted]	+0.4	[redacted]	[redacted]	114.47	117.41	[redacted]	[redacted]	[redacted]	111.40	128.62
World Ex. US (1770)	146.09	+0.0	121.10	[redacted]	126.47	[redacted]	+0.0	[redacted]	[redacted]	121.09	124.19	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
World Ex. UK (2000)	145.52	+0.8	120.63	124.00	125.98	133.56	+0.8	2.27	144.41	119.68	[redacted]	125.81	132.49	145.62	120.06	134.61
World Ex. So. Af. (2235)	[redacted]	[redacted]	122.98	[redacted]	[redacted]	135.11	+0.6	2.53	147.48	[redacted]	[redacted]	128.46	134.27	[redacted]	122.92	135.40
World Ex. Japan (1843)	151.84	+0.8	[redacted]	[redacted]	131.46	141.15	+0.7	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	140.15	[redacted]	128.69	[redacted]
The World Index (2295)	148.69	[redacted]	123.26	[redacted]	128.72	135.21	+0.6	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

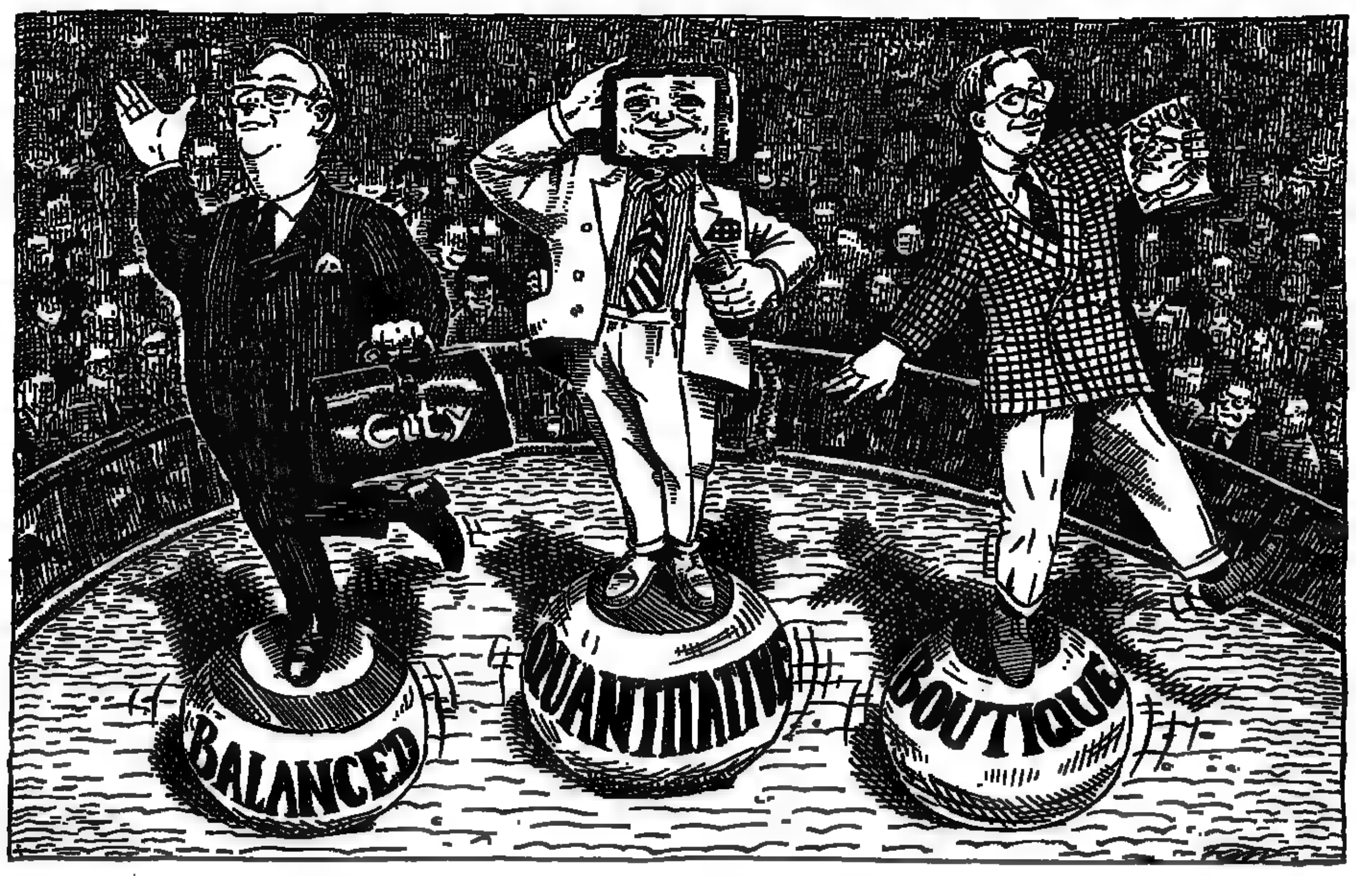
Constituent change with [redacted] Deletion: First [redacted] (U.S.). [redacted] prices [redacted] unavailable [redacted] edition.
Singapore and Malaysian markets [redacted] April [redacted]

PENSION FUND INVESTMENT

Thursday April 18 1991

After last year's investment setback, equity market buoyancy in the first quarter of 1991 has dramatically changed the pension fund picture, writes **Barry Riley**. But scheme surpluses are likely to fall, partly because of the European Court judgment on sex equality

A better tale for 1991



IT WAS important to get 1990 out of the way. After a brilliant decade for investment performance during the 1980s, UK pension fund managers were overdue for a market setback. In fact, the minus 10.5 per cent median rate of return was the first negative result in nominal terms since 1974.

But fund managers will now be hoping that the shake-out in the markets has been left well behind. Certainly the first quarter of 1991 has presented a dramatically different picture, with equities buoyant around the world: the FT-Actuaries World Index jumped 21 per cent in sterling terms in the three months, a highly encouraging statistic given that the average UK pension fund held around three-quarters of its portfolio in equities at the end of last year.

This stock market strength has been of considerable commercial importance. The fees of external fund managers are generally calculated on the basis of the value of portfolios at the end of each calendar quarter. When stock markets hit their low points at the end of the third quarter of 1990, fund managers were squeezed nastily, while their costs were rising quite fast. It was not much [illegible] in December. But March will [illegible] brought [illegible] substantial recovery in income.

[illegible] UK pension [illegible] themselves, however, the arithmetic [illegible] poverty [illegible] prosperity [illegible] done very differently. Surpluses and deficiencies [illegible] calculated [illegible] than market [illegible]. In general, [illegible] income-[illegible], certainly for UK equities, which make up more than half of most portfolios.

Therefore, because dividends [illegible] be buoyant [illegible] much of last year, with a rise of 11 per cent for the year as a whole, many schemes stayed comfortably in surplus.

In [illegible] curious [illegible], this turned [illegible] badly for fund management companies. The [illegible] funded pension [illegible] enjoyed contribution holidays, thus [illegible] off much [illegible] flow into their funds.

According [illegible] the WM Company's performance [illegible] service the new money flowing into UK occupational pension schemes in 1980 was equivalent to 19 per cent of their initial value; whereas 10 years later it was less than 4 per cent, implying net shrinkage after adjustment for investment income.

The [illegible] 1990 picture [illegible] fund managers will [illegible] quite quickly, however. [illegible] only [illegible] market [illegible] risen, [illegible] increasing [illegible] investment managers' revenues quite sharply, but the scene is set for a very rapid rundown of pension scheme surpluses.

This is firstly because dividend growth is bound to slow down very sharply this year. After averaging an extraordinary 16 per cent a year during the second half of the 1980s, the rate of increase may well drop to under 5 per cent for 1991 because of the economic squeeze on companies. This increase is likely to be less than the underlying growth of average employee earnings (still running at 9.5 per cent).

Another important consideration is that large unfunded liabilities are crystallising for many pension schemes. These relate in part to the so-called Barber judgment in the European Court on equal treatment for the sexes, which could impose equal retirement ages and other expensive adjustments on schemes. At the same time, the Social Security Act 1990 laid down that partial inflation-proofing of benefits (limited price indexation, or LPI, of up to a limit of 5 per cent a year) must be applied in future, after a certain A-Day, the date of which has yet to be announced. In addition, to the extent that there are surpluses in the scheme, this LPI protection must be backdated [illegible] cover [illegible] service.

What [illegible] bad [illegible] for [illegible] could nevertheless [illegible] good [illegible] pension fund managers, [illegible] extra contributions and top-ups begin to roll in; [illegible] this will be [illegible] the pressure [illegible] salary-linked schemes [illegible] companies [illegible] them up in favour [illegible] cheaper arrangements.

In [illegible] potentially troubled times, however, UK pension fund [illegible] can justifiably point [illegible] very high returns that they have [illegible] generating [illegible] many years. According to [illegible] other main performance measurement service, Caps, the [illegible] rate [illegible] return [illegible] by [illegible] median fund over the past 10 years has been 15.4 per cent.

This is a considerably high return than has been enjoyed by typical funds in the US or on the Continent, even after adjustment [illegible] currency changes. The uniquely aggressive strategy of UK funds, relying heavily on equities, has paid off handsomely. The one bad year, 1990, has only made a small dent in this record.

In the latest edition of Phillips [illegible] Fund Management's [illegible] *Fund Indicators*, perhaps the best source-book on UK pension [illegible] investment, Mr Jim McCaughan, a PDFM director, [illegible] "The long-term investor might justifiably regard [illegible] unsettled [illegible] of 1990 as a blessing since opportunities [illegible] presented [illegible] acquire investments [illegible] favourable prices."

Yet the equity orientation of UK pension funds has relied heavily [illegible] the [illegible] British companies to [illegible] high pay-out [illegible]. That [illegible] led [illegible] criticism from [illegible] corporate sector on [illegible] grounds that [illegible] and Japanese companies [illegible] not face the same pressures from their own institutional shareholders.

Moreover the entry of the UK to full membership of the European Monetary System six months [illegible] posed the possibility [illegible] fundamental structural change. Has the focus of UK funds on equities been merely the consequence of persistent UK inflation? Will bonds be much more attractive if they offer [illegible] reliable real rate of return? But Mr McCaughan does not see [illegible] fund managers going back [illegible] government bonds, in which they invested heavily during the 1970s. "Pension funds no longer see themselves [illegible] natural buyers of gilts," [illegible] says.

Moreover, UK company [illegible] have the flexible long-term actuarial and accounting procedures which permit them [illegible] accept the volatility of equity returns. In the US, the pension fund accounting standard FAS87 [illegible] much more upon temporary market values, [illegible] have [illegible] reflected [illegible] company profit and loss accounts, [illegible] the UK [illegible] embodies long-term smoothing.

These accounting influences, together with the much [illegible] incidence of [illegible] contribution schemes, explain the high proportion of bonds in [illegible] pension [illegible] portfolios. In [illegible] UK nearly all large [illegible] (or final salary-linked) structure, although [illegible] that [illegible] coming pressures from [illegible] and LPI may [illegible] number of companies to switch over [illegible].

In mainland Europe, meanwhile, funded occupational pension schemes [illegible] beginning to grow in importance, and could become much more popular given the demographic [illegible] many [illegible] pay-as-you-go (unfunded) [illegible]. Moreover a new EC directive proposes [illegible] single [illegible] should apply [illegible] pension fund management: national investment restrictions, such as [illegible] bond/equity proportions, should [illegible] away, and foreign managers should be [illegible] freely across borders.

As their confidence recovers in line with [illegible] in equity [illegible], [illegible] UK's pension fund [illegible] are beginning [illegible] the scope for exporting their skills to Europe.

THIS SURVEY

Editorial production: Gabriel Bowman

Barry Riley doubts if there is a vogue for specialist managers

More talk than action

THE OSTENSIBLE rise and rise [redacted] specialist pension fund managers in the UK [redacted] one of the major themes of the institutional investment business in the past few years.

Certainly one [redacted] two major pension funds have hired [redacted] string of specialists. Rolls-Royce is [redacted] famous example, [redacted] 14 [redacted] listed for the £1.2bn fund. IBM UK, in the American way, has 10 to manage £1.1bn. [redacted] it [redacted] hard to [redacted] the conclusion [redacted] in general [redacted] has been a lot more talk than action.

According to [redacted] the [redacted] main performance [redacted]ment firms, Combined Actuar[redacted] Performance Services (Caps), only 40 of the 1,495 UK pension [redacted] it measured last [redacted] managed primarily on [redacted] specialist basis.

It is true that they were larger than [redacted] but even [redacted] they represented only some 8 per [redacted] the total [redacted] The [redacted] number of [redacted] was four.

One [redacted] the leading balanced pension fund management companies, Phillips [redacted] Drew Fund Management, [redacted] own survey of the trend towards specialisation last year. It [redacted] on the big funds, with [redacted] respondents [redacted] £300m.

About [redacted] third [redacted] these [redacted] funds turned out [redacted] be using a specialist formula of one kind [redacted] another. [redacted] only [redacted] funds [redacted] than £500m did the average number [redacted] rise to three.

Hiring specialist [redacted] maximise performance [redacted] most logical in the more esoteric areas such as emerging markets, venture capital [redacted] property investment, [redacted] arguably rather less so in UK equities or global [redacted] balanced managers [redacted] expected to have reasonable levels of expertise.

From the [redacted] side of [redacted] fence, many management houses are quite keen to pro[redacted] their [redacted] expertise [redacted] in balanced management are [redacted] longer of a top quartile quality.

For instance, Lazards is [redacted] a number [redacted] City merchant banks which have [redacted] in the balanced fund management [redacted] but which is still [redacted] in international equity management [redacted] a variety [redacted] private and institutional clients. It [redacted] thus emphasising [redacted] track record in continental European equities as the basis for winning specialist mandates from UK pension funds.

> "Trustees don't feel they can handle asset allocation responsibility"

But competition [redacted] A wide variety of [redacted] is focusing [redacted] the potential of the UK pension fund business. Overseas [redacted] J.P. Morgan, [redacted] Bank Corporation [redacted] Lombard-Odier [redacted] promoting [redacted] specialist operators [redacted] the trustees of UK pension funds.

Domestically, too, the £300bn pension fund business [redacted] an obvious target [redacted] in [redacted] For example Perpetual, [redacted] unit [redacted] is [redacted] present gearing [redacted] attack the pension fund market, primarily [redacted] the basis of specialist equity [redacted]

Mr Bruce [redacted] marketing consultant to Perpetual, [redacted] seeking [redacted] bring its expertise in unit trusts to bear on another area [redacted] But [redacted] recognises that it will take three [redacted] years [redacted] get [redacted] the short [redacted] of the pension consultants.

One [redacted] why the [redacted] towards specialist management has been [redacted] slow [redacted] that the [redacted] allocation responsibility – [redacted] the split [redacted] between, [redacted] UK and [redacted] assets, bonds [redacted] property – [redacted] other [redacted] rather than [redacted] bundled up within [redacted] balanced mandate.

Mr Anthony [redacted] runs [redacted] allocation boutique [redacted] Advice [redacted] Strategy, [redacted] four years or so been trying to fill this very [redacted] After all, [redacted] says: "The specialist route puts an [redacted] allocation responsibility on [redacted] pension [redacted] trust[redacted] they [redacted] they [redacted] handle."

He provides [redacted] panel of [redacted] experts who [redacted] periodically, and he [redacted] that their [redacted] potentially [redacted] 1 [redacted] per cent [redacted] of quarterly rebalancing [redacted] (though whether [redacted] the [redacted] up [redacted] them).

But does specialisation really work, in [redacted] adding performance? Caps has [redacted] some [redacted] which suggest that there is not a lot in it. Last year the specialists slightly underperformed bal[redacted] managers in UK and overseas equities, [redacted] outper[redacted] in [redacted] important categories [redacted] UK [redacted] interest, property and index-linked gilts.

Caps refuses to [redacted] to [redacted] conclusions about per[redacted] schemes which have adopted a specialist [redacted] as a [redacted] asset/liability modelling exercises, so allocations may have [redacted] decided very largely on grounds other than [redacted] maximisation of performance. Crude figures for overall performance could [redacted] be misleading.

Meanwhile [redacted] asset allocation problem is being tackled [redacted] At Barclays [redacted] Investment Management Mr Lindsay Tomlinson, a specialist in quantita[redacted] management, [redacted] that risk-averse [redacted] (often [redacted] have picked [redacted] unsuccessful balanced active managers in the past) are [redacted] for specialist index funds plus [redacted] allocation formula. That is, they seek [redacted] copy [redacted] everybody else is doing [redacted] precisely [redacted] cheaply as possible.

[redacted] time, various quantitative [redacted] being promoted, though US-style [redacted] between [redacted] equities are less relevant to UK [redacted] regard themselves [redacted] scarcely [redacted] in bonds [redacted]

A new London boutique, Allingham Anderson, [redacted] techniques [redacted] hedging the [redacted] between various [redacted] classes, using [redacted] derivative [redacted] for achieving [redacted] the [redacted] class [redacted] a defined period – in effect, a more [redacted] risky [redacted] portfolio insurance, [redacted] on [redacted] during [redacted] 1987 [redacted]

[redacted] the UK pension [redacted] is ready for such techniques yet is doubtful. It [redacted] that for the time being specialisation, [redacted] responsibilities [redacted] implies for trustees, will be more widely [redacted] practised.

BALANCED ACCOUNTS

Leaders far ahead of pack

MR IAIN [redacted], chief executive of Robert Fleming Investment Management, has a fight [redacted] hands [redacted] get [redacted] company [redacted] the top dogs of the balanced pension fund management business.

[redacted] Fleming [redacted] in the [redacted] FT league table of [redacted] under management, [redacted] by [redacted] last [redacted] it [redacted] seventh place.

Though [redacted] a [redacted] period [redacted] indifferent performance can spell big trouble in the context of the [redacted] competition [redacted] pension fund arena, Mr [redacted] winning. [redacted] Fleming achieved a return some 1 per cent ahead of the median for pension [redacted] The fund [redacted]agement structure [redacted] reorganised, with [redacted] types [redacted] "We [redacted] we are [redacted] on track," [redacted]

A handful of successful man[redacted] now winning almost all the new [redacted] in [redacted]anced [redacted] Mercury [redacted] Management, Phillips & Drew Fund Management, Schroders [redacted] Portfolio Man[redacted] are drawing [redacted] the rest, along [redacted] a [redacted] rising star, Gartmore.

[redacted] the [redacted] top three managers accounted for 31 [redacted] the aggregate business of the Top 20. This year's top three hold 39 per [redacted] of the total funds.

"I've never known the business to be so concentrated," [redacted] Mr Paul Myners, [redacted] executive of [redacted] con[redacted] in some respects worrying, but of course it suits the likes of Gartmore, which is currently [redacted]ing on most of the short [redacted]

A typical case was that of the [redacted] Navy pension funds, focus of the most spectacular bust-up in the industry in recent times, when they threw out their in-house manager Argosy Asset Management a few months ago. Gartmore and PDFM duly picked up most of the business when external management contracts were offered.

LEADING PENSION FUND MANAGERS

	Value of segregated funds				Number of clients		
	1990 (£m)	1989 (£m)	% [redacted]	Total funds [redacted] 1990	1990	1989	% change
MERCURY ASSET MANAGEMENT*	[redacted]	23,618	-5.1	32,110	408	388	4.64
[redacted] & [redacted] FUND MNGT.**	12,732	12,589	1.1	14,187	204	185	10.27
BARCLAYS DE ZOETE WEDD INV. MNGT	12,144	[redacted]	-10.7	[redacted]	156	[redacted]	[redacted]
SCHRODER INVESTMENT [redacted]***	10,800	11,800	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
PRUDENTIAL PORTFOLIO [redacted]	[redacted]	[redacted]	-9.9	31,800	62	[redacted]	10.71
[redacted] NATWEST INVEST.MNGT.****	[redacted]	[redacted]	-15.5	10,530	102	106	-3.77
ROBERT FLEMING ASSET [redacted]*	7,026	[redacted]	-24.4	22,709	114	[redacted]	-5.79
[redacted] GRENFELL INVEST. MNGT.	[redacted]	6,453	[redacted]	13,170	95	[redacted]	-1.04
GARTMORE INVESTMENT MNGT.	[redacted]	4,447	[redacted]	[redacted]	[redacted]	114	[redacted]
BARING INVESTMENT MANAGEMENT	4,441	5,229	-15.1	5,800	103	116	-11.21
HENDERSON PENSION FUND MNGT.	4,325	5,484	-22.5	[redacted]	130	168	[redacted]
[redacted] INVESTMENT [redacted]	[redacted]	4,333	-12.3	[redacted]	54	[redacted]	[redacted]
MIDLAND MONTAGU ASSET MNGT.	[redacted]	3,121	-12.4	4,431	9	9	0.00
INVESCO MIM *	[redacted]	3,365	-20.9	[redacted]	122	129	[redacted]
HAMBROS BANK	2,500	2,500	0.0		[redacted]	48	-2.08
CAZENOVE FUND MANAGEMENT	2,353	2,630	-10.5	5,165	61	[redacted]	1.67
N.M.ROTHSCHILD ASSET MNGT.	2,043	2,700	-24.3	7,018	62	75	-17.33
QUEEN ANNE'S GATE ASSET MNGT†	1,815	1,900	-5.5	1,815	[redacted]	[redacted]	-11.11
MURRAY JOHNSTONE PENSION MNGT.	1,647	2,522	-34.7	3,398	43	[redacted]	-10.42
BAILLIE GIFFORD & CO INVST. MNGT.	1,605	1,576	1.8	3,290	44	38	15.79
HILL SAMUEL INVESTMENT MNGT.	1,444	1,617	-10.7	19,520	36	36	0.0
CAPITAL HOUSE INVESTMENT MNGT.	1,420	1,880	-24.5	2,800	43	50	-14.00
KLEINWORT BENSON INVEST. MNGT.	1,387	2,641	-47.5	9,112	65	68	-4.41
EAGLE STAR ††	1,293	1,754	-26.3	10,300	14	[redacted]	[redacted]
FIDELITY PENSIONS MANAGEMENT	1,220	1,311	-6.9	4,970	29	[redacted]	[redacted]

Research by Jan Schling, Editorial Research

*1989 data changed by the fund manager.
**past and present figures were adjusted to take account of exclusion of advisory [redacted] which totaled £1,590m in 1990
*** (£2,000m in 1989). *** 1990 excludes mandates to manage £300 of assets but where money was not presented until 1991. **** total advisory funds £4,544 in 1990 (£5,117 in 1989) with 11 (33) clients. † any comparison between funds under management as expressed last year (£2,300m) to £1,900 must be qualified because there was enforced period of inactivity in 1990 while ta pensions funds of water authorities were being apportioned. †† out of Eagle Pension Fund total of £1,413m(£1,835m) in 1990 (1989)NOTE : Lazard Investors [redacted] to supply any figures; in 1989 Lazards managed Funds for 36 clients valued at £2,000m.

Although dozens of managers are still in theory in the hunt for new balanced mandates, some are starting to lose heart. For instance Bankers Trust Investment Management, a long-standing operator in the British market, [redacted] relinquish [redacted] remaining UK balanced accounts and to focus on specialised international briefs.

Meanwhile the remarkable Mercury Asset Management continues to lead the pack by a long way. It is secretive about its investment performance, probably because with hundreds of clients there is significant divergence and any mention of a MAM average performance would provoke complaint from those who had done worse.

However, it plainly succeeds in keeping most of its clients happy, although the highly publicised [redacted] a small speci[redacted] UK equity contract [redacted] the Marks [redacted] Spencer unit trust [redacted] illustrated the problems that [redacted] managers can have with small, fussy clients. [redacted] has [redacted] bigger contract with the M & S pension fund, however.

In general, [redacted] contracts have not been changing especially fast in the pension fund sector recently. According to Mr Roger Hunt, marketing director of [redacted] Corpo[redacted] Pensions, "pension [redacted] trustees may be too absorbed with the consequences of the [redacted] judgment to [redacted] manager changes this year."

The Pru [redacted] the sole insurance company to have [redacted] into the big time in the external pension fund management business. PDFM is the only [redacted] to [redacted] done the same (although nowadays it is an independently constituted offshoot of Union [redacted] of Switzerland).

Iain Saunders: "we're very much back on [redacted]"

Paul Myners: "I've never known it so [redacted]"

MAM and Schroders Investment Management have come [redacted] merchant banking [redacted] Gartmore, now [redacted] by Indosuez, was originally an independent manager of investment trusts. [redacted] Barclays [redacted] Zoete [redacted] Investment Management is the market leader in index funds, [redacted] naturally [redacted] £5bn-plus Barclays Bank pen[redacted] fund.

But many famous names have fallen by [redacted] wayside over the past 10 years or so. According to Mr Paul Haines, investment [redacted] consul[redacted] Lowndes, [redacted]son is the breakdown of the old City of London connections, and [redacted] of the consultants, [redacted] developed a much more competitive selection [redacted] involving beauty con[redacted]

"Fewer appointments are [redacted] banking [redacted] stockbroking connections, or [redacted] owed a favour," he [redacted] "The [redacted] will tend [redacted] same. [redacted] concentration [redacted] an inevitable consequence."

It [redacted] performance over several [redacted] that counts, but [redacted] a particularly good [redacted] PDFM. According [redacted] information collected by the magazine *Equity International*, PDFM was the top performer [redacted] year, albeit in the sense that it lost less [redacted] clients' money [redacted] any [redacted] major [redacted]

Its [redacted] per [redacted] property) was some 2 percentage points better than [redacted] industry [redacted] Anne's [redacted] Management, which [redacted] independent after the water industry privatisation, was close behind, and Rothschild and Gartmore also did well.

Such figures can be selective and incomplete (the £4.7bn ICI pension funds, [redacted] instance, achieved a rate of return of -7.7 per cent in 1990), so it is the ability [redacted] consistently in [redacted] league table of funds under management that is the real indication [redacted] lasting quality.

Barry Riley

هذا من الاصل

Andrew Freeman looks at the typical exposure of UK managers

Equities [illegible] in favour

SINCE the start of this [illegible] the [illegible] equities market has been characterised by strong upward movement, with progress [illegible] record levels apparently unhindered by a string of rights issues. Funds which last year backed the view that the market was historically cheap have reaped the rewards, but the average exposure to UK equities is as steady as ever.

In recent weeks, the institutions appear to have been calling the shots as companies with urgent needs to strengthen their balance sheets have asked for cash. But there have been exceptions. Tesco, for example, timed its £572m cash call to perfection, and provided a coherent explanation of what the money was to be used for. Since January, its shares have performed in line with the rising market.

Even weak stories have had a sympathetic reception. The market was not convinced by the explanation from Bass of how its £558m cash would be spent, but it took up its rights issue just the same. Distress calls, such as that from Costain, actually sent the company's share price higher.

Cash calls and dividends have focused attention on the old question of short-termism. Institutional calls for dividends to be maintained through the recession have captured plenty of headlines, but the case is hard to fault if it is applied to the market as a whole.

It is already obvious that dividend growth in the 1990s will be at a lower rate than the astonishing advances seen in the 1980s. Long-term growth should be a function of inflation plus growth in gross national product. Now that the UK is in the ERM, inflation should stabilise at a level well below that of recent years, so dividend growth might become more a function of [illegible] Put another way, lower inflation will make real dividend growth easier to achieve.

A quiet 1991 could be followed by a pick-up in economic activity next year as corporate profitability bounces back from [illegible] recession. [illegible] addition, [illegible] growing utilities sector, with built-in dividend growth from [illegible] privatised electricity and [illegible] [illegible]panies, [illegible] helping to prop [illegible] the market's [illegible] dividend.

Taking [illegible] their rights might be a convenient use of the institutions' cash and a cheap way of getting it into a rising market, but they are perhaps demonstrating a degree of humbug when they claim that industry was short-termist in running down its financial strength. Steady dividend growth may be the price companies have to pay for institutional loyalty.

Recent figures from Combined Actuarial Performance [illegible] (Caps) [illegible] that the median UK pension fund had a UK equities exposure of between 54.9 and 56.7 per cent last year. The data was based on returns from 83 per cent of the full sample of 1,500 funds, but it seems clear that funds were making marginal increases to their exposure towards the year-end.

Whether they changed their asset allocation in time to benefit substantially from the unexpected strength of the market [illegible] [illegible] [illegible] [illegible] remains to be seen. After an uninspiring January, [illegible] All-Share index powered ahead and managed a total return [illegible] 16.5 per cent in the first quarter, with smaller non-FT-SE stocks outperforming the biggest shares after a long period of underperformance.

As for performance in 1990, the median UK equities fund returned a 9.3 per cent loss. That was much better than the 27 per cent negative return on overseas equities, but interestingly it was worse than the return [illegible] property assets. However, it seems there is little change in prospect for the dominance of UK equities as the favoured asset class.

1990 was a year in which it was possible for fund managers to claim significant outperformance of the UK market, simply by [illegible] [illegible] missing out [illegible] such corporate [illegible] as Polly [illegible] [illegible] British [illegible] Commonwealth. Mr John Emly, [illegible] Fleming's [illegible] director, beat [illegible] median performance by [illegible] per cent, returning -7.3 per cent. Fleming not only avoided the key disasters, but also scored by taking big positions in specific leading stocks.

Mr Tom Crombie, who runs equities portfolios for Scottish Equitable, thinks that pension funds have too much exposure to UK equities and [illegible] enough diversification in overseas mar[illegible]. He [illegible] the analogy of the private investor – just as [illegible] stockbroker would [illegible] a sensible spread [illegible] assets, so funds should [illegible] [illegible] [illegible] [illegible] spread of markets.

The bunching of UK funds' asset allocations is certainly remarkable – [illegible] [illegible] [illegible] there has been little [illegible] in the [illegible] per [illegible] held in UK equities, yet the [illegible] [illegible] been [illegible]ariable.

Few managers [illegible] doubt [illegible] pension funds should hold equities [illegible] [illegible] most [illegible] long-term [illegible] [illegible], but Scot[illegible] Equitable, for example, [illegible] half of [illegible] [illegible] per [illegible] equity exposure overseas. According to Mr Crombie, [illegible]tish Equitable actually man[illegible] [illegible] outperform the international indices. But its expertise [illegible] has been built up [illegible] a [illegible] of [illegible] Funds going abroad for the first time can come unstuck.

Last year [illegible] Equita[illegible] mix was very different, with 20 per cent cash, 10-15 per cent gilts and only 60-65 per cent in equities. "The big [illegible] allocation decision is the vital one, but [illegible] many UK [illegible] flunk it," [illegible] Mr [illegible]

Mr Emly takes [illegible] rather dif[illegible] line. Robert Fleming [illegible] prepared [illegible] [illegible] weightings significantly different [illegible] the median depending on the cli[illegible] tolerance for risk. The [illegible] allocation decision is [illegible] on the customer's comfort level, [illegible] when there [illegible] clear value in UK equities – as there [illegible] for example, [illegible] the yield ratio fell [illegible] low [illegible] 1.9 – the [illegible] for increasing exposure [illegible] strong.

However, Fleming also [illegible] [illegible] UK equities are the natural [illegible] [illegible] for domestic funds with [illegible] [illegible]ling currency base. Equities give the appropriate emphasis to real [illegible] but fund [illegible] [illegible] can make tactical devia[illegible] into [illegible] and [illegible] when the [illegible] are right.

Peta Hodge considers money purchase schemes

The recipient [illegible] the risk

RECENT LEGISLATION and legal cases have raised the potential costs of providing final salary related pensions for a large number of occupational pension schemes. As a result, many in the industry expect to see a shift away from final salary (defined benefit) schemes to money purchase (defined contribution) schemes.

Indeed, a survey of intermediaries conducted by Prudential Corporate Pensions suggests as many as a third of all [illegible] salary schemes [illegible] switch to money purchase.

It is easy to see why an increasing number of employers is attracted to the switch. In a defined benefit scheme all the risk [illegible] borne by the employer. Whatever happens, he must pay the level of benefit promised at retirement.

With a money purchase scheme, it is the scheme member who [illegible] [illegible] the risk. There is [illegible] benefit promise; [illegible] employer and employee simply make contributions into the scheme. These are invested, and the scheme member receives the value of these investments at retirement in the form of a pension.

Although a money purchase scheme may be administered and invested on a group basis, it is essentially a series of individual arrangements as far as investment risk is concerned. There is no cross-subsidy [illegible] [illegible] members.

This question [illegible] who [illegible] [illegible] risk [illegible] the key [illegible] understanding the differences between the investment policies of money purchase and final salary schemes.

Money purchase benefits are usually determined by the build-up of each member's personal account; all contributions made on the member's behalf are credited to an account in his name. This is typically achieved by each contribution buying units in the fund, in a similar way to investing in a unit trust.

The need to unitise investment if the individual's benefits are to be valued accurately is one reason why the majority of money purchase schemes are invested in off-the-peg life office managed funds or pooled funds which already have the systems for unitising invest[illegible] [illegible] place.

[illegible] the extent that both money purchase and final salary schemes invest in pooled managed funds, the asset [illegible] and performance of the two types will be identical.

The individually tailored option of segregated management favoured by many final salary schemes has not been generally adopted by money purchase arrangements. This is not only because of the problem of unitising investments, but is also a function of size. A fund really needs to be worth at least £10m – some would say £20m or £30m – before segregated management becomes an economical option. In the past, most money purchase schemes have been considerably smaller than this.

It may be that if the prophecies are fulfilled and more and more managers choose the money purchase option, there will be more defined contribution funds of a size to consider segregated management.

Mr C.W. [illegible] Low, [illegible] of [illegible] consultants [illegible] Consulting, [illegible] there [illegible] nothing [illegible] [illegible] money pur[illegible] [illegible] [illegible] [illegible] [illegible]gated management. However, [illegible] [illegible] Willis has only four money purchase [illegible] of [illegible]ficient size to [illegible] individual investment [illegible] and all [illegible] these opt for [illegible] pooled investment route.

Willis does, however, have a couple of final salary scheme clients [illegible] operate on a unitised segregated basis. [illegible] are conglomerates with subsidiaries in a number of diverse industries which want to give different benefits to members in different subsidiary [illegible]nies while investing all contributions in the same way.

"These show, in principle, there is no reason why money purchase schemes should not have segregated management," says Mr Low. But he adds: "If you are going to buy segregated management you probably want to go to a manager with unit trusts or unitised managed funds. They are in a better position to run the fund because they already have the computer programme in place to unitise the investment."

The Prudential survey asked intermediaries how they thought segregated final salary schemes switching to money purchase would maintain the power which goes with operating a segregated portfolio.

The intermediaries – said to represent the advice being given to 83 per cent of all pension funds, measured by asset value – thought most schemes would either transfer all their assets to a life office or invest in a single managed fund.

The third investment solution suggested by Prudential is to have a segregated or managed fund with its own bonus series. The intermediaries surveyed thought that around 20 per cent of schemes switching to money purchase would choose this option.

According [illegible] Mr Jonathan Heller, [illegible] [illegible] research at Prudential Corporate Pensions, [illegible] would [illegible] running [illegible] fund [illegible] a "mini insurance [illegible]pany", with "reversionary" bonus [illegible] being announced [illegible] [illegible] [illegible] reflect [illegible] underlying growth in [illegible]

In this [illegible] [illegible] individual member [illegible] [illegible] protected from fluctuations in the investment markets. As with a life office with profits policy, a terminal bonus might be payable in addition on retirement.

Investment performance [illegible] clearly more important [illegible] [illegible] [illegible] purchase [illegible] than [illegible] one operating [illegible] [illegible] final salary [illegible] because of [illegible] direct link between investments [illegible] [illegible] level [illegible] [illegible] [illegible] [illegible] Mr [illegible] Baker, senior consultant [illegible] Mercer Fraser, believes [illegible] underlying investment objectives are very similar in many cases.

[illegible] [illegible] "The objective of most money purchase [illegible] [illegible] likely to [illegible] to [illegible] [illegible] median. The money purchase scheme has no liabilities [illegible] take account of. The investment policy of [illegible] final salary scheme should take account of liabilities, so [illegible] would expect the [illegible] policy to differ. In pr[illegible] both funds probably just want to beat the median."

THE US

A small shift overseas

[illegible] YEARS, there has been speculation that the [illegible] pension fund industry would start to invest serious portions of its collective portfolio in overseas markets. And, for year[illegible], there has corresponding little action.

But now, it seems that the [illegible] which investment managers are willing to devote to overseas holdings are finally becoming meaningful. According to the annual survey conducted by Greenwich Associates, [illegible] Connecticut-based consultancy, the 2,000 largest US tax-exempt pension funds held around 4.5 [illegible] [illegible] of their [illegible] in international stocks by end-1990. [illegible] money terms, that amounts to around [illegible]

True, this still compares poorly with the percentages invested abroad by the likes [illegible] the UK pension industry. Nevertheless, recent progress towards more geographically [illegible] portfolios by [illegible] [illegible] should not be understated. For example, the public [illegible] pension funds, the most laggardly element of [illegible] pension sector in this respect, held around 1.7 per [illegible] of their funds' [illegible] [illegible] international stocks back [illegible] 1987. Today, the figure is 3.2 per [illegible]

[illegible] most [illegible] reckon that the [illegible] has considerably further to go. Greenwich [illegible] [illegible] concluded [illegible] by 1993, around 7.7 per cent of US pension funds' [illegible] might [illegible] invested internationally.

Quite why [illegible] pension fund [illegible] have seen [illegible] light recently [illegible] [illegible] matter of debate. Some [illegible] [illegible] [illegible] the trend [illegible] largely from [illegible] development [illegible] overseas [illegible] themselves, with the result that [illegible] substantially larger spread [illegible] investment opportunities has been created.

Equally, it may be worth noting that certain traditional domestic investment areas, like real [illegible], [illegible] hit well-publicised problems, [illegible] least in the short term. This may have [illegible] the search for prime opportunities elsewhere. Greenwich Associates, for example, notes [illegible] the percentage of funds planning to start investing in equity [illegible] [illegible] has been declining [illegible] the past few years "from 9 per cent in [illegible], to 6 per cent in 1989, and to [illegible] per cent in 1990."

Nevertheless, most players involved with the pension fund [illegible] concede that [illegible] international thrust [illegible] not without problems. "Many [illegible] managers are wrestling [illegible] currency management,"

> **"The learning curve lag [illegible] disappearing fairly quickly"**

comments one large mutual fund [illegible] – although it adds that "the lag on the learning curve is disappearing fairly quickly."

Another factor worth considering [illegible] the [illegible] that net [illegible] flows in the US pension fund sector are currently negative, by a fairly significant margin. This, in turn, may stimulate the search for [illegible] growth.

Distributions [illegible] [illegible] were estimated [illegible] around $89bn, compared with contributions of about $83bn. In 1989, [illegible] flow [illegible] negative [illegible] the tune of [illegible] $1bn. The [illegible] is noticeably greater among the corporate pension funds – in contrast to the public sector, where contributions still outweigh distributions.

[illegible] separately, [illegible] [illegible] [illegible] tussling [illegible] establish what [illegible] [illegible] should play in corporate governance. It could be argued [illegible] [illegible] investors have woken up [illegible] [illegible] excesses [illegible] [illegible] [illegible] somewhat belatedly, but a general stirring among pension [illegible] managers is now perceptible. The latest proxy season has [illegible] be [illegible] comfortable one [illegible] some US companies, and a number of high profile public pension funds – like Calpers – can take some [illegible] the credit.

Nikki Tait

Tim Dickson explains why managers are succumbing to the attractions

Growing appeal of overseas assets

UK PENSION funds have been steadily expanding their holdings of overseas assets during the last decade. At the end of [illegible] – [illegible] year in which exchange controls were dramatically lifted by the incoming Conservative government – only 6 per cent of the average UK fund's portfolio was represented by overseas equities.

By 1986 this had jumped to 20 per cent, and though the UK subsequently swung back into favour again, the upward trend in the overseas asset mix now looks [illegible] to resume.

Latest figures from the WM Company show that in 1990 the proportion dipped from 21 per cent at the start of the year to 18 per cent by end-December: [illegible] mostly due, though, to the sharper fall in overseas stock markets than in the UK during the period.

Since 1987 overseas bonds have [illegible] begun to attract interest – accounting for 2 per cent of [illegible] by the end of 1989. In the view of many observers – though by no means all – they are set to become a permanent [illegible] class in their own right in the 1990s.

The growing proportion of overseas holdings can partly be explained by the greater percentage of cash flow being earmarked for non-UK assets by pension fund managers, and partly by the relatively strong investment performance of non-UK markets during the last 10 years. Both domestic UK and foreign equities have shown far superior returns to UK gilts and property since the early 1980s.

Overseas investment is justified by pension funds on the grounds that it enables them to spread their risk through diversification, and obtain exposure to strongly performing markets. "We take the view that it dampens the volatility effect," explains Mr Richard Fitzalan Howard of Fleming Investment Management. "History shows that the effect of having a diversified portfolio in different markets is to lower the risk, without having to have a lot of bonds and cash."

Fleming, whose £14bn of UK

UK and foreign equities have shown far superior returns to gilts and property since the 1980s

pension fund [illegible] were roughly 25 per cent invested in overseas equities and 6 per cent in [illegible] in mid-March, reckons that a weighting of more than 50 per cent could be justified outside the UK if full investment freedom were granted by trustees. As it is, the group is aiming for 35-40 per cent in the medium term.

In the early days of overseas investment the US tended to be the most popular home for the overseas part of a pension fund portfolio. Relative to the world index, funds have always tended to be underweight in Japan. To some extent this has reflected prejudice on the part of trustees, though who can say that they were wrong in 1990 when Japan was the [illegible] performing equity market of all, turning in a negative 42.7 per cent return?

Continental Europe, meanwhile, previously neglected and little understood, is now the most popular region outside the UK for pension fund managers. According to WM, no less than 38 per cent of the average overseas pension fund portfolio was invested in Europe at the end of 1990, against 29 per cent in the US, 18 per cent in Japan, and 15 per cent in other Asian markets.

The big question for the 1990s is likely to be the impact on thinking of sterling's full entry into the Exchange Rate Mechanism of the EMS. This is merely the latest – but at the same time the most striking – sign of the way in which European economies are becoming more closely integrated into a single market. The 1992 programme has set Europe firmly on a new course; the plan to turn the EMS into a single currency by the mid to [illegible] 1990s has provided an exciting pointer to the final destination.

If currency risks are diminished – either through even narrower bands in the ERM or through the ultimate triumph of the ecu – the distinction between UK and European equities will lose much of its significance. Some pension funds are already beginning to

The distinction between UK and European equities could lose its significance

consider the UK and continental Europe as one geographical area rather than two when setting investment [illegible] and guidelines. The more interest rates, inflation and economic growth rates converge, the more sensible that policy is likely to look.

Fund managers seeking to buy the best insurance companies, for example, would hardly be wise to confine themselves to the five leading UK composites. They are not only medium-sized by European standards, they are arguably [illegible] capable than their continental rivals of meeting the challenges [illegible] will be posed by an increasingly unified insurance market.

With many British companies already earning a considerable proportion of their profits in continental Europe, the case for looking at the European Community as a single investment bloc can only get stronger. But where does [illegible] stop? A typical UK pension fund now [illegible] around 57 per cent of its assets in UK equities, a proportion which would have to be more than halved if one looks at the relative market capitalisations in different European countries.

There are many other questions for pension fund managers to address in the 1990s. How, for example, can they improve their country and stock selection, which has been distinctly mixed to date. When the percentage of funds invested overseas was relatively low in the early 1980s, this was not a particularly serious issue. With a fifth of assets outside the UK today, it certainly is.

It is noteworthy that pension funds which put their money into an equity index fund would have done much better [illegible] than most of its peers in the last decade. As market e[illegible] increases, stock selection gains will be more difficult to achieve.

There is also the question of how emerging markets – the Pacific Rim, Asia, Latin America, Africa, the Middle East and southern Europe – fit in. Such markets exhibit different risk/reward characteristics but hold the promise of much faster growth and better returns than developed countries.

POOLED FUNDS

The good and the not-so-well-managed

THERE [illegible] been so much discussion about mammoth pension scheme surpluses built up [illegible] it is sometimes easy to forget that for many thousands of small pension schemes that have been going for relatively [illegible] years, the outlook is not quite as cushioned.

[illegible] pension funds are [illegible] ally [illegible] in pooled or mixed [illegible] run by [illegible] and [illegible] management boutiques. Only when they are around £10m plus do they warrant [illegible]ted management where the fund's liabilities and objectives can be taken [illegible] precisely.

Pooled pension funds recorded negative overall returns [illegible]. The [illegible] pooled fund fell by 11.8 per cent in [illegible] according to the [illegible] of 63 [illegible] conducted by Combined Actuarial [illegible] Services (Caps).

[illegible], by [illegible] ing actuary Wyatt, puts the average loss at [illegible] per cent. Such figures are the [illegible] when [illegible] was [illegible] 20 per cent.

The figures [illegible] compare unfavourably with the performance of segregated funds, which [illegible] an average of [illegible] year.

Unfortunately, [illegible] results come at a time when all pension [illegible] face substantially [illegible] costs as a [illegible] of the Barber ruling on equality. Final salary scheme [illegible] will [illegible] pushed up by the [illegible] on limited price [illegible] by the Social Security Act [illegible]. Experts [illegible] twin [illegible] will push up pension scheme liabilities by [illegible] per cent.

Clearly, the importance of selecting a [illegible] management group has never been greater.

Topping the 1990 pooled fund charts was National Mutual's fund, valued at £36m, which fell by 5.7 per cent.

The top managers at National Mutual meet [illegible]. Not surprisingly, the [illegible] strategy was [illegible] – at one [illegible] the fund held 14 per cent in cash and 7 per cent [illegible].

Stock [illegible] on blue chip companies, particularly in the UK, and the fund was underweight in smaller companies. But the [illegible] significant [illegible] in [illegible] year's outperformance was the [illegible] to quit Japan in late 1988, though it is now moving back in cautiously.

[illegible] good [illegible] in 1990 came from Zurich Life (-5.8 per cent), Gartmore (-6.4 per cent), [illegible] (-6.7 per cent) and [illegible] Life (-6.8 per cent).

Wyatt [illegible] pooled unit trust, valued at £2.6m, which [illegible] per cent.

In [illegible] Guardian Royal Exchange's mixed fund, [illegible] at £370.8m, trailed [illegible] with a loss of 21.8 per cent. This was largely [illegible] commitment to equities, particularly smaller [illegible].

Two other, smaller funds [illegible] fell by [illegible] 20 per cent during 1990. AEtna's managed fund, valued at just £0.3m, [illegible] by [illegible] per cent and Thornton's fund, [illegible], dropped by 21.1 per cent.

[illegible] disappointing [illegible] for [illegible] turned in by Equitable, Fidelity, [illegible] Govett, Martin Currie, Midland Montagu, MIM and National [illegible] Institution. All plummeted by [illegible] 16 per cent.

But it is not enough to [illegible] all the results for just one year. The manager who performed well in [illegible] year's tricky conditions [illegible] not necessarily be able to pick the most attractive [illegible] in a bull market.

POOLED FUNDS				
	Size £m at December 31		%change	
LIFE OFFICE	1990	1989	89/90	Type of units
Scottish Widows	2,931.0	3,330.0	-11.98	Man,Pr,C,SE,PP
Provident Mutual	2,376.0	2,613.0	-9.07	Div,E,FI,Pr,Int,IL,C,OE,MS,OB
Scottish Amicable	1,496.0	1,955.8	-23.51	Man
Confederation Life	1,294.5	1,465.0	-11.64	Man,E,FI,Pr,D/C,Int,IL
Standard Life*	1,100.8	[illegible]	-26.40	FI,C,Int,IL,PE,NA,EUR
Prudential	724.8	825.3	-12.18	Disc,E,FI,Pr,C,Int,IL,IB
Sun Life	[illegible]	888.8	-31.17	M,E,FI,Pr,C,Int,SE,IL
Stenhouse	401.3	[illegible]	NA	[illegible] Fd
Guardian Royal Exch'g	370.8	528.4	-29.83	Mast,E,FI,Pr,D,I,M,II,J&P,**
Murray [illegible]	347.1	NA	NA	Man,Am,Jap,Eur,Se As,SC,***

Notes : types of units : Man-Managed,E-Equity,M-Mixed,Pr-Property,C-[illegible] Exchange,Div-Diversified,FI-Fixed Interest,Dep-Deposit,Int-International,IL-Index Linked,D/C-Deposit/Cash,Disc-Discretionary,M[illegible] Market,O-Overseas,SC-Smaller Companies,Am-American,Jap-Japan, SE As-South East Asia, J&P-Japan & Pacific,NA-North American,[illegible]-Master,EX [illegible] *Standard Life series 1 & 2 with 5 Units (M,E– series 1 [illegible] E,SE,Comp,Pr– series 2)**Eur,NA,SC.***all Exempt,UKe,FI. Source : Willis Consulting Ltd.

Over the past 10 years, the Caps survey [illegible] return was [illegible] by [illegible] Life, up 18.1 per cent, followed by Scottish Widows with [illegible] per cent, Stenhouse exempt unit trust with 17.2 per cent and Provident [illegible] per cent.

At the other extreme, the lowest 10-year return came from Legal & General, up by 13.5 per cent per annum, and Commercial Union, up by [illegible] per cent.

[illegible], [illegible] annualised returns cannot reveal performance volatility. Certain [illegible] are very erratic, and it is [illegible] to [illegible] the house can perform superbly in certain market conditions if you buy in just before a bad spell.

The best way of judging an investment house's consistency is to look at its quartile rankings over the years, and to examine the fluctuations and success in loss limitation when conditions are tough.

This also reveals the underlying trend. It may be, for instance, that a [illegible] greatest gains were made in the first [illegible] years of the last decade and performance has [illegible] tailed off, or vice versa.

Confederation Life, for instance, made it [illegible] the upper quartile for six of the last 10 years. But three of the [illegible] it failed to achieve the upper quartile were 1981-83. And its return for 1990 was relatively encouraging at -9.5 per cent, ranking it 14th of [illegible] in the Caps survey.

Stenhouse exempt unit trust and Provident Mutual [illegible] upper quartile results for six of the [illegible]. This year's [illegible] leader, National Mutual, made it into the upper quartile five [illegible].

Mr Jeremy Bishop, National Mutual investment [illegible], says: "A key part of our approach is to [illegible] risk. This means that [illegible] the long term, we should [illegible] decisions right than wrong, [illegible] more importantly [illegible] decisions we get wrong won't penalise us unduly." Many others have a more volatile record, so the aim should be to select a group with a house style that will work in any market.

And as long as a pension fund is too small to warrant segregated management, it cannot be sensible to put it with a house that specialises in particular sectors – the typical specialisms are smaller companies and south-east Asia.

The [illegible] of the fund should [illegible] be [illegible] into consideration. Though two of the [illegible] performing funds in 1990 were relatively tiny, [illegible] an exception rather than the rule. More often, [illegible] funds perform well in the early years because [illegible] more flexible [illegible] but [illegible] the fund [illegible] over the years and [illegible] wieldy.

As one manager put it: "A small fund may take risks and if it all goes well, it soon has a good track record. If it all goes wrong, there is an attitude that you can lose the fund quietly." Although the 1990 pooled [illegible] results are dire, they [illegible] disastrous. Certainly, the median 10-year annualised return, at 15.3 per cent, is acceptable compared with the [illegible] per cent increase in price inflation and [illegible] per cent increase in average earnings.

But equally, now is the time to throw out the [illegible] misconception that investment management involves some kind of mystique. The reality is that a [illegible] performance is [illegible] about overall [illegible]ment strength than [illegible] the whims and [illegible] of individual fund managers. This is particularly true in [illegible] tain climate, and [illegible] year's [illegible] are [illegible] likely to emerge from a rigorously [illegible].

Carl Jones

Sara Webb on the prospects for sterling bonds while (below) **Tracy Corrigan** looks at foreign bonds

Flood of gilts issues likely

STERLING BONDS barely [illegible] in the UK pension fund's portfolio these days: they have been crowded out by equities.

However, given the government's borrowing requirements in the next couple of years, a flood of gilts issues is expected. As a result, pension funds may well be tempted to increase their holdings in sterling fixed income bonds.

UK pension funds have run down their holdings in UK fixed interest investments in percentage terms over the last decade. In 1978, a typical pension fund had its assets split as follows, according to figures from Combined Actuarial Performance Services (Caps): 29 per cent in UK fixed interest; 56 per cent in UK equities; 4 per cent in overseas assets; 4 per cent in sterling cash and 7 per cent in property.

At the end of 1990, a mere 4 per cent was invested in UK fixed income and 2 per cent in index-linked investments. UK equities accounted for 57 per cent while the proportion held in overseas assets had risen to 27 per cent.

According to one manager, the main reason why pension funds [illegible] down their sterling bond holdings, particularly over the last five years, was [illegible] equity market boom which tempted them [illegible] invest in fo[illegible] UK equities at the [illegible] of fixed income.

The government's privatisation programme also attracted equity investors, while the shortage of gilts as the Bank of England was buying back stock meant [illegible] supply was reduced.

However, there was a very sharp turnaround last year in which bonds outperformed equities. Caps figures for 1990 show that the median return for pension funds was -10.5 per cent while the return on UK equities in their portfolios was -9.5 per cent, the return on UK fixed interest was +8 per cent.

Some fund managers believe this could encourage pension [illegible] holdings in bonds again, especially now that the government is borrowing in the market again.

In the Budget last March, the government forecast a public sector borrowing requirement for 1991-92 of £8bn. Many economists believe this is an underestimate and put the figure at closer to £12bn. The result is that [illegible] government [illegible] returned [illegible] issuing gilts: [illegible] there have been three mini-taps and more issues are expected in the next two years. The question is: will pension funds buy them ?

Midland Montagu, one of the leading market makers in gilts, reports an increased interest by pension funds, though this is yet to materialise in substantial purchases.

However, some pension fund managers say they are reluctant to commit money to gilts at the moment. One manager points out that the attractions of sterling fixed income were more apparent at the start of the year than now: in his view, corporate sterling bonds (non-gilt [illegible] income) [illegible] more attractive [illegible] fixed [illegible] relatively cheap. One reason for [illegible] in a recession, [illegible] creditworthiness [illegible] corporate bonds – especially [illegible] the [illegible] of companies [illegible] collapsed or which [illegible] facing [illegible] difficulties in servicing [illegible] debt.

Despite the [illegible] plan [illegible] issue gilts again, [illegible] is con[illegible] supply [illegible] gilts will be eagerly sought by pension funds.

For a start, fund managers consider the prospective real returns available from other European bond markets – particularly France and the Netherlands – as more attractive than from sterling bonds. Fund managers are optimistic about prospects for the global bond markets this year as interest rates in most of the main world economies are expected to fall.

Mr Lionel Hoare of Whittingdale, the fund management group, points out that with sterling's entry in the Exchange Rate Mechanism of the EMS, investors should see higher yields available in sterling without suffering from currency risk, and so cannot see the advantage of investing in foreign bonds over sterling bonds.

He thinks pension funds will have to increase their weightings in sterling bonds to match their assets with their liabilities. As the average age of the UK population is rising, pension funds may put their money into more secure investments such as fixed income.

The dollar's turnaround

TRADITIONALLY equity-oriented and domestically-minded UK fund managers are becoming more active in foreign bond markets, but their participation is still low compared with pension funds elsewhere in Europe.

Last year, concern about the effects of economic recession on equity performance persuaded more fund managers to invest in fixed income products. The strong performance of foreign bond markets, especially for sterling-based investors, in the first quarter of 1991 has increased their readiness to buy foreign bonds.

According to the WM Company's UK Pension Fund Service, the proportion of UK pension fund assets in the foreign bond market rose t[illegible] per cent in 1990 from 2 per cent in 1989. [illegible] only two-thirds of the funds surveyed hold any foreign bonds at all, so funds with foreign bonds hold around 7 per cent on average. But, even including fixed-rate gilts, straight bonds accounted for less than 10 per cent of pension funds' assets in total at the end of last year.

Nevertheless, the research showed £2.9bn of fresh investment in foreign bonds last [illegible], funded partly by an outflow of £1.5bn from [illegible] UK gilts market.

Figures for 1991 are not yet available, but some analysts estimate that the net shift will not be substantial, considering the dramatic effect of currency movements on bond returns since the end of last year. The recent strong performance of equity markets may well reverse some of the shift into fixed-income products prompted by the prospect of a long and deep recession.

"It is time that UK pension funds assessed what is the proper bond element in a portfolio and how to constitute it," says Mr Howard Flight, managing director of Guinness Flight Global Asset Management.

While most international bond fund managers see European currencies as one bloc, following sterling's entry into the Exchange Rate Mechanism, UK pension fund managers remain very domestically oriented by comparison.

The increase seen in pension funds' exposure to foreign bonds since the bull market for bonds started near the end of last year has come partly from cash, where many funds found a safe haven in the wake of Iraq's invasion of Kuwait last August. In addition, there was some movement out of equities, since the bonds perform better in recession than stocks, and also out of the gilts market.

Because of the strong performance of bond markets across the board during the first quarter, the most crucial decision for fund managers was on currency rather than the bond market. Though Spain and Italy provided the highest returns measured in local currency, according to the J.P. Morgan government bond index, the strengthening of the dollar had a dramatic effect on returns for UK-based funds.

Consequently, the largest shift since the end of last year was from underweight to overweight positions in dollar securities, reflecting, in large part, the dollar's turnaround in the foreign exchange market.

There are two different approaches to investing in foreign bonds. One is to view currency and bond markets as two separate components. Fund managers who adopt this approach may take one position in a currency and a conflicting position in the bond market. Thus, some managers are now overweight in dollars in the foreign exchange market, but underweight in [illegible]. The currency position may have been taken in the spot foreign exchange market and held on deposit. One fund manager says he has taken a position in French government bonds, a market which he expects to perform well, but has hedged exposure to the franc.

Other fund managers – in the UK perhaps [illegible] majority – take currency considerations [illegible] account when investing in foreign bonds, [illegible] do not hedge currency exposure to a significant [illegible].

Those [illegible] take [illegible] view on currencies [illegible] still overweight [illegible] dollar and [illegible] in European currencies. Others have stepped back somewhat from the US bond market, which is now widely considered to be quite expensive. In Europe, high-yielding bond markets such as Italy remain in favour.

"The currency decision will become increasingly important, given the high degree of volatility of foreign exchange compared with bond markets," says Mr David Shaw, director of bonds and currency at Legal and General.

In sterling terms, Canadian government bonds posted returns of 16¼ per cent in the first quarter, according to Kemper Investment Management Company's Seventeen Markets Database of International Bond Markets.

New Zealand was the second best performer, returning 16¼ per cent. For fund managers who focus on the most liquid markets, the US market returned a handsome 12¼ per cent.

EUROPE

Why prefunded is preferred

OCCUPATIONAL PENSION [illegible] in Europe are [illegible] ally [illegible] in [illegible] three [illegible] prefunded arrangements – [illegible] or [illegible] – [illegible] the UK, [illegible] the Netherlands; [illegible] in Germany [illegible] Austria; and pay-as-you-go, [illegible] France.

[illegible] and [illegible] you-go [illegible] work very [illegible] while population [illegible] are growing, employment [illegible] high, [illegible] low. But [illegible] ageing population [illegible] western Europe and [illegible] recession, prefunded arrange[illegible] will not only give greater security [illegible] force [illegible] will [illegible] necessary as company profit [illegible] are squeezed and indi[illegible] are required [illegible] ute more [illegible] pensions.

[illegible] European Community, [illegible] to promote [illegible] pensions, [illegible] working [illegible] draft directive[illegible] to encourage [illegible] Several European [illegible] tries (other [illegible] with [illegible] recently [illegible] dipping their [illegible] the [illegible]

Following legislation in Portugal in 1986 which required the external funding of any new pension plans, tax incentives were introduced in 1987 to encourage the funding of existing plans as well. Double tax relief was given for a one-year period and according to Mr George Clare of Euracs (European Actuarial Consultancy Services), this incentive worked. However, investment portfolios must include at least 50 per cent of state-issued securities.

Spain introduced pensions legislation in 1988 with tax incentives for "qualified" – funded – plans. However, the fact that labour representation on the control commission which governs the pension scheme must be greater than employer representation has [illegible] with employers. Tax relief for employees at an upper limi[illegible] of [illegible] (c£2,500) is also reck[illegible] to be [illegible] low while employers can receive tax relief on their contributions only if that [illegible] individual [illegible] registered.

In Belgium, a royal decree in May 1985 prohibited the future establishment of [illegible] reserve schemes, mainly [illegible] to con[illegible] pro[illegible] in [illegible] event of bankruptcy.

[illegible] commonly used financing [illegible] in Belgium are group [illegible] contracts, self-administered funds (ASBLs) [illegible] deposit [illegible] tration contracts. Insurance companies have slightly more freedom in their investments than pension funds but many of the larger companies choose to fund their pensions through ASBLs.

Austria, which in the past has relied heavily on book [illegible] to [illegible] 50 [illegible] cent capitalisation of [illegible] book reserve schemes over [illegible] next 20 [illegible]. To [illegible] implementation [illegible] employers receive favourable tax treatment. For example, if at least 1,000 employees are members of a pension fund and total contributions are limited to 10 per cent of total payroll, then employers' contributions will be fully tax-deductible.

Pension monies in Switzerland are now required by law to be deposited in a foundation and [illegible] separately from the company. [illegible] on pension fund [illegible] lifted in [illegible] 30 per cent of fund assets may now be invested in foreign shares (previously 10 per cent). As a result, it has been suggested that Switzerland's stock exchange could be domi[illegible] by pension fund money by the year 2000.

The same is true of Sweden. In the past the range of pension investments has been controlled by SPP, an insurance company regulated by the government, and the unions – "an unholy alliance," says Mr Clare of Euracs. "Imagine a situation in the UK where the employers had no say," he says. (The SPP [illegible] administers [illegible] book [illegible] scheme). [illegible] talk of freeing restrictions on investment in equities [illegible] again [illegible] that [illegible] could lead [illegible] the [illegible] exchange [illegible] dominated by pension [illegible] money.

Pension fund money could dominate stock exchanges

Even the situation in France and Germany is changing. In France, while [illegible] repartition, still provides [illegible] bulk [illegible] provision, according [illegible] Heller of Prudential Corporate Pensions, an increasing number of pension plans – both final salary and money purchase – are being financed on a prefunded basis.

Although nearly 70 per cent of German companies provide pensions on a book reserve basis, there are a few pension funds (*pensionskasse*), similar to those in the UK. Some are old: [illegible] example, [illegible] of [illegible] giant chemical company, Hoechst, [illegible] from [illegible] and has 75,000 members.

But [illegible] of [illegible] in Germany [illegible] hindered by restrictions [illegible] investment. Only 20 per [illegible] a fund may be invested in equities. Recent moves [illegible] increase this amount to 30 per cent were rejected by the government after lobbying by the [illegible] (the insurance regulatory board).

However, [illegible] ageing population, and perhaps more importantly, the [illegible] of reunification [illegible] likely [illegible] lead to demands for employees to contribute [illegible] occupational schemes (they cannot contrib[illegible] to book reserves) with a consequent demand [illegible] funding.

There [illegible] about 60 EC [illegible] directives affecting pension schemes and benefit practice and these [illegible] currently going through at the rate of one [illegible] month.

In July [illegible] year a directive on the freedom of capital movements [illegible] followed by [illegible] keynote speech from Sir Leon Brittan, commissioner responsible for financial institutions [illegible] competition, which outlined [illegible] goals: that there [illegible] be full freedom [illegible] provide the services of managing pension funds; that there should be [illegible] freedom of [illegible] investment and pension fund [illegible] and that there should be full freedom of [illegible] border membership of [illegible] funds.

With [illegible] experience that UK fund [illegible] have of [illegible] tricted investment, they should be well-placed [illegible] take advantage [illegible] easing of restric[illegible] in this regard.

A study carried [illegible] by [illegible] sulting actuaries R Watson last [illegible] that the total [illegible] of UK pension funds exceeded the sum [illegible] of all the [illegible] of the EC members' pension funds put together. It is perhaps [illegible] the [illegible] time that other European countries [illegible] moving towards funded schemes, Britain with [illegible] earnings [illegible] placing some companies [illegible] the position [illegible] having to [illegible] up unfunded schemes for high-flying execu[illegible]

Connie Ellis

The ratio of Japanese over 65 is set to jump from 11 to 16 per cent between now and the year 2000. Here middle-aged and older women [illegible] in slimming exercises at a Tokyo health farm

Robert Thomson on the impact of the rapid ageing of Japan's population

Performance is starting to matter

JAPAN'S PENSION funds [illegible] been [illegible] by [illegible] [illegible] to lubricate [illegible] country's complex and [illegible] network of corporate relationships [illegible] to benefit [illegible] members [illegible] company [illegible].

[illegible] interpretation has not [illegible] discouraged by [illegible] as [illegible] Japan [illegible] Dealers' Employees [illegible] Fund, which announced that [illegible] money would [illegible] divided neatly among [illegible] management [illegible] of securities companies and [illegible] that the [illegible] would [illegible] maintained regardless [illegible] performance.

[illegible] hopes [illegible] foreign fund [illegible] in Japan and [illegible] the more aggressive Japanese [illegible] that [illegible] "silver wave", the rapid [illegible] of the country's population, will [illegible] and [illegible] Japanese [illegible] to put more emphasis on performance.

A second hope is [illegible] companies [illegible] funds [illegible] companies within an industry will be [illegible] corporate relationships [illegible] more [illegible] using independent investment advisers, including foreigners.

The industry groupings, [illegible] Tokyo [illegible] Sub-Contractors Association, [illegible] territory, as they [illegible] an individual company's obligations to, for example, its [illegible], which may want pension funds to be handled by an affiliated trust bank.

Last financial year, Japan's legally-recognised corporate pension plans totalled about $230bn, and nine foreign-affiliated trust banks were among the [illegible] life [illegible] companies [illegible] to manage Japanese pensions. And, from last April, 133 investment advisers, 36 of them foreign, [illegible] given [illegible] to some [illegible] the [illegible] money flowing into the system.

[illegible] foreign companies would like greater access to pension funds, having calculated that they now manage only 0.3 per cent of the total, and they want an easing of the restrictions on fund employment. Principal secured assets must comprise at least 50 per cent of funds invested, domestic stocks up to 30 per cent, foreign currency denominated securities up to 30 per cent and real estate up to 20 per cent.

One foreign manager said that these restrictions "limit the ability of foreign companies to show their particular strengths". While foreign companies are unhappy about the pace of liberalisation, they are reluctant to be identified [illegible] criticising the system for fear of antagonising [illegible] all-powerful Finance Ministry.

Foreign companies hope that [illegible] government's own [illegible] financial burden [illegible] expected demographic changes [illegible] Japan will provide [illegible] stimulant for [illegible] fund management. About 11 per cent of Japanese are now aged 65 or over, [illegible] ratio [illegible] expected to jump to 16 per [illegible] by 2000.

One change in the year to end-March [illegible] the sharply increased allotments by [illegible] Service Corporation to [illegible] insurance companies, which received [illegible] per [illegible] more [illegible] while [illegible] only [illegible] Trust banks [illegible] individually, while [illegible] companies have the advantage of being able to pool all incoming funds for management.

But Mr Tokuo Banba, assistant general manger of planning and co-ordination at Mitsubishi Trust and Banking Corporation, says that the importance of trust banks has not diminished, and that "yield is not everything." He emphasises that Japanese companies want stable fund management, [illegible] yields [illegible] short term will [illegible] necessarily impress them.

According [illegible] Mr [illegible] thews, president [illegible] Fleming [illegible] Advisers, building long-term relationships is particularly necessary in Japan. He [illegible] his firm has been helped by pension fund appointments from two government-related organisations [illegible] contracts are important [illegible] when other quasi-government funds look [illegible] make appointments, "our name will be on the list." He [illegible] establishing a [illegible] presence will take five years from the liberalisation [illegible] April, and [illegible] "surprised that we have had these successes so quickly".

Jardine Fleming Investment Advisers [illegible] per cent owned by Jardine Fleming Investment Management and 49 [illegible] cent by [illegible] Trust and Banking. Mr Matthews says the [illegible] is "to combine the asset management capabiliti[illegible] of the Fleming grou[illegible] with [illegible] domestic marketing capabilities of Yasuda". The venture, [illegible] says, has [illegible].

[illegible] Shoji Yamada, director [illegible] pension fund management [illegible] Yasuda Trust, reckons that the Japanese industry [illegible] be "15 to 20 years" behind the US, and [illegible] that foreign companies [illegible] valuable expertise: "[illegible] the [illegible] style of fund management, and are interested in new skills."

Given the problems [illegible] Japa[illegible] markets in the past year and the realisation that stock prices can fall as well as [illegible], Japanese manag[illegible] have become more wary about [illegible] deployment [illegible] funds. They [illegible] noticeably absent from the Tokyo [illegible] market in recent months, and have warned companies that uncertainty [illegible] prices has made [illegible] all the [illegible] important.

Mr Shigeyuki Araki, investment planning [illegible] Daiichi Mutual Life, [illegible] that his company's hidden stock profits fell by [illegible] year, and "we are telling companies [illegible] they must increase dividend [illegible]ments if they want us to buy."

If performance is becoming more important in Japan, the question remains [illegible] how the government intends [illegible] that performance. The Finance Ministry has hinted that private firms could be allowed to [illegible] a performance [illegible] sorts, but there [illegible] been no formal indication [illegible] to when such [illegible] be introduced.

MANAGERS' CHARGES

Why dirty fees are hard to rub out

IT WAS a bad year for investment managers. As stock markets (and the value of most pension funds) fell in 1990, managers' incomes, based on *ad valorem* charges, faced a similar decline. Few tried to sustain their income by increasing charges – and fewer still succeeded.

Any sympathy should be stifled quickly, though: managers still make extensive use of implicit, or "dirty", fees to boost their income, and some last year appear to have been able to use these to support their earnings.

"Dirty" fees come in three main forms: charges for in-house unit trusts, levies to meet the higher costs of overseas transactions and soft commissions.

The growing use of in-house unit trusts has been the most obvious contributor to investment managers' revenues. True, a greater proportion of pension fund assets may be dedicated to specialist areas list overseas equities or bonds, and true, these investments [illegible] be [illegible] on a pooled basis. But does this justify an annual charge of, say, 1 [illegible] than the 0.[illegible] typically [illegible] for [illegible] funds or 0.5 [illegible] cent [illegible] actively [illegible] by [illegible] speciali[illegible]?

As Mr Tim Gardener, head of asset planning at Mercer Fraser, says: "I can see the reason for using unit trusts, but not [illegible] charges [illegible] in [illegible] I [illegible] to [illegible] why unit trusts need to charge more." Whatever the justification, the [illegible] of unit [illegible] is becoming far more common.

The second type of "dirty" fee – transaction fees for overseas bargains – is more easily justified, given the higher costs of settling such a transaction. However, [illegible] here, too, managers may [illegible] implicit charges [illegible] their own income.

There are [illegible] ways [illegible] levying these overseas transac[illegible] charges. Many [illegible] impose a flat charge per [illegible] gain (say, £50). But [illegible] is imprecise, and is not usually matched to a precise analysis of costs. "Most managers levy more than it costs them," says Mr Gardener. "They use these charges as a source of income."

The third type of dirty fee, the use of soft commissions, was sanctioned recently [illegible] the Securities and [illegible] Board – although the SIB said it would keep a close eye on fund managers' behaviour and may yet ban the practice (which involves brokers paying for services for fund managers, such as the provision of computer terminals or [illegible] services, in return for a set amount of commission-bearing business each year).

"In the long run, this area will be revisited by the regulators," says Mr Malcolm Kemp, a partner at Bacon & Woodrow. "[illegible] still [illegible] an air [illegible]ity about it."

The SIB has insisted on minimum levels of [illegible] soft commission arrangements, so [illegible] should [illegible] be [illegible] to see [illegible] going on. But [illegible] gives no idea of the [illegible] which fund [illegible] operate, and which may lead them sometimes not to put their own clients' interests first.

[illegible] fees like [illegible] estimated to add as much as 0.5 of a percentage point to the [illegible] pension [illegible]ment, compared with the typical 0.2 per cent "clean" fee. Why do plan sponsors continue to put up with the practice?

In part, because [illegible] makes their own lives easier, says Mr Gardener. Dirty fees, [illegible] explains, are levied on the [illegible] in a [illegible] than [illegible]. By insisting on clean fees, [illegible] sponsor is shifting the [illegible] onto himself, and to recover this may reduce contributions [illegible] the fund – a route often fraught [illegible] political difficulty.

The abandoning of dirty fees, long predicted, may be taking a long [illegible] coming. Nevertheless, [illegible] report that charging practice is still turning – albeit slowly – against such habits.

[illegible] managers' incomes are benefiting from the second general trend in investment management charges: the grad[illegible] replacement of balanced fund management with index and active [illegible] manage[illegible] fund [illegible] splits itself [illegible] the specialists, [illegible]gate charges [illegible] generally higher [illegible] fund [illegible] (though [illegible] be [illegible] by [illegible] ability [illegible] performance).

Funds tied to an index frequently find their way into an in-house unit trust. It is cheaper and easier for the manager to index one pool [illegible] of, say, £1m to an index, rather [illegible] pools of £200,000. However, th[illegible] be higher charges.

Active managers, meanwhile, have largely [illegible] over to the use of performance fees, to the extent that is now thought to be the exception to find an active manager charging a simple flat fee.

For this and other reasons, suggests [illegible] Kemp, overall costs of pension fund invest[illegible] have crept [illegible] slightly over the past year – though nowhere near enough to compensate managers for the loss of income from the stock mar[illegible] slump. Many [illegible] cling to the belief that fee scales are [illegible] to rise: but then, as Mr Kemp says, "many thought [illegible] a year ago."

Richard [illegible]

Roger Urwin considers the impact of asset liability modelling

Professional controversy remains

THERE IS nothing new in the principle that pension fund investments should be selected having regard to the liabilities. However, the emergence of asset liability modelling has enabled this axiom to be quantified, so setting in motion a new debate of vital importance for pension fund health.

The average pension fund during the 1980s increased its equity exposure from about 60 per cent to closer to 80 per cent. However, this shift has come in for particularly close scrutiny from many quarters. Some suggest that the growing maturity of pension funds argues for reducing equities and increasing bonds. Pan-European comparisons make the British pension fund distribution stand out as extremely aggressive. On the other hand, many still argue that pension funds should be prepared to commit all their assets to equities, given their long-time horizons.

Debates on these issues have been difficult without a clear framework. Until recently, discussions were wholly subjective and firm conclusions were hard to draw. Asset liability modelling has now emerged as a credible, if somewhat controversial, framework to address these questions.

Most [illegible] liability modelling work [illegible] been carried out by pension fund [illegible]. According to the Greenwich Associates 1990 Survey, 30 per cent of funds now use an actu[illegible] or consultant to help in their asset allocation policy. This is a proportion that has grown rapidly from a very low base. By starting to give advice on investment policy, the actuary has appeared to encroach on the territory of investment managers. This redrawing of the demarcation lines has created tensions.

The actuary has appeared [illegible] encroach on the territory of investment managers

In the 1988 FT Pension Fund Investment Survey, about the time when asset liability modelling was starting to be debated in earnest, Barry Riley wrote of these professional tensions, suggesting that "irritation will turn to resentment if actuaries attempt to strip the asset allocation responsibility from balanced managers." In practice, the involvement of actuaries since then has been confined to setting long-term asset allocation over a horizon of 10 years and longer, leaving balanced managers to get on with the job as before (stock selection and short-term asset allocation), albeit relative to a new benchmark.

Over this recent period, the separation of long-term policy decisions from short-term tactical decisions has become better understood and is now widely used. As a result of these developments, the managers' irritation has not, as yet, turned to resentment. The majority of managers have welcomed the clearer objectives [illegible] been [illegible] from this [illegible].

The [illegible] area of [illegible] scepticism with the process itself. Asset liability modelling systems are complicated [illegible] the principles [illegible] application [illegible] straightforward. Modelling [illegible] making projections [illegible] future financial [illegible] of a particular pension fund. The calculations reveal the likely funding position of the scheme (the value of assets in relation to accrued liabilities) and the contribution rate at some future date five years, 10 years or further out. These modelling systems compare the most likely position with the extremes in terms of the worst case expectations and the best case expectations. The latter information is used to gauge the uncertainties implicit in any scenario and therefore the risks the employers and trustees actually face. For example, a projection might show that the current investment policy is most likely to lead to no change in the contribution rate in 10 years' time, but the worst case possible would involve a much higher rate applying. Such information would be used to decide whether the current policy should be changed.

Modelling results are used in two respects. First, they illustrate the implications of adopting any particular investment policy. Secondly, they identify superior investment policies that improve the chances of a scheme achieving its particular objectives. Proponents would certainly claim that the process allows higher returns to emerge without a corresponding increase in risk.

While the [illegible] improved [illegible] the [illegible] professional [illegible]versy still remains. Like most long-range [illegible]lling processes, [illegible] considerable scope to question the interpretation of results. The principal difficulty lies in setting the assumptions about future market returns with sufficient pre[illegible] to obtain robust answers. In practice, assumptions cannot be set with great precision so the results of the process need to be interpreted with care. There are those who believe this difficulty is sufficient to invalidate the whole process.

Early models were essentially backward-looking and built largely on the premise [illegible] history would repeat [illegible]. Latterly, more forward-looking [illegible] emerged [illegible] partly on [illegible] evidence and partly on more traditional economic judgments. These appear more credible and answer some of the criticisms. Most converts to modelling tend to believe in [illegible] philosophy [illegible] to be [illegible] and not believed" and study the results to provide [illegible] disciplined quantitative framework [illegible] qualitative discussions on investment policies.

Perhaps [illegible] important [illegible] from modelling is that funds can become more individualistic using this [illegible] and can fully reflect their own [illegible]tics and ambitions. For example, fast-growing schemes with limited numbers of pensioners can be easily differentiated from declining mature schemes. This means that in practice, [illegible] policies that [illegible] from modelling [illegible] are certainly not identical from one [illegible].

Some question [illegible] the days of performance "league tables" are numbered

This [illegible] number [illegible] practical questions about how performance will be measured in future. Some [illegible] questioned whether or not the days of performance "league tables" are numbered if individual objectives start to predominate. This would appear to be very unlikely. The performance league table has fulfilled a very important role for most trust[illegible] and is unlikely to be replaced. In trying [illegible] anticipate [illegible] changing mood [illegible] the industry, performance measurers [illegible] now hard at work creating [illegible] new style of reporting in which sub-groups of funds [illegible] be properly compared in [illegible] "peer group" [illegible] table.

What [illegible] future? Further refinement [illegible] liability modelling will inevitably occur with both actuaries and investment managers taking active roles. At present, asset liability modelling is carried out by a small minority [illegible] funds [illegible] influential ones), no more than 100 in [illegible]. The [illegible] it [illegible] become [illegible] majority practice as natural [illegible] performance measurement has becom[illegible].

The writer heads the specialist investment practice at [illegible] Watson [illegible] Sons, consulting actu[illegible]

DERIVATIVE MARKETS

A sea change for futures and options

ONE OF the more interesting developments in recent years in pension fund investment has been the increasing use of the equity derivative markets. Until the late 1980s, futures and options were something that cautious pension fund trustees avoided. The possibility of having a substantial part of one's portfolio wiped out by what was viewed as extremely risky and speculative products meant that most pension funds gave derivatives a wide berth.

The prospect of unlimited losses filled trustees with horror. The spectacular losses in some of the commodity futures traders confirmed their suspicions. The Federal Bureau of Investigation's probe into the Chicago futures market also created worries among the larger institutions that they would be fleeced by unscrupulous floor traders.

The expense of introducing new computer systems which track the performance of futures and options and the sheer technical difficulty of understanding some of the derivative markets – particularly options – has been a deterrent. Finally, the inability of equity futures markets to operate smoothly during the stock market crash of 1987 led to a disillusionment among some fund managers, who were unable to use the markets to hedge against their holdings of shares.

But there was one other important reason why pension funds avoided futures and options. Until last year, futures transactions – those made to hedge a portfolio – were liable for capital gains tax. Others – which were classed as trading – were liable for corporation tax.

More favourably treated than the underlying securities

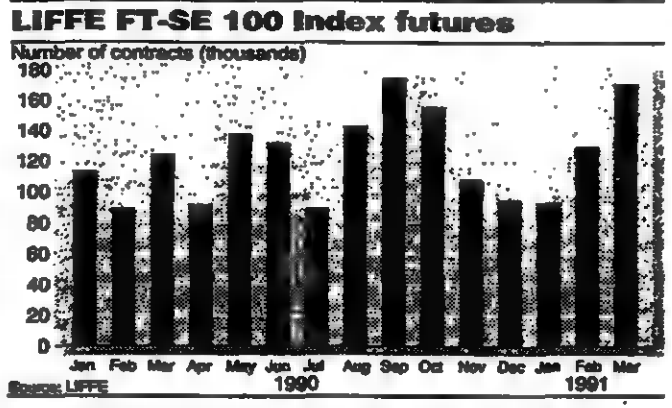
All that changed in the 1990 budget, when Mr John Major, then chancellor of the exchequer, bowed to years of lobbying and exempted pension funds and authorised unit trusts from tax on trading income from futures and options. The Finance Act of July 1990 cleared the way for traded options and futures to enjoy a more favourable tax treatment than that of their underlying securities. Now, gains from futures and options are treated as capital rather than income.

These important regulatory change have been the catalyst for a major sea change in pension funds' use of futures and options. "These changes had a big impact in making trustees feel more comfortable about the use of derivatives," says Mr Andrew [illegible]laren of Phillips & Drew Fund Management. "Before it was a bit of a grey area and that was enough to deter some funds from those markets."

One clear reflection of the changes has been the increased turnover of FT-SE 100 index futures on the London International Financial Futures Exchange. It rose by more than 40 per cent in 1990.

According to Mr Nick Weinreb, deputy market secretary at Liffe, the tax changes showed that the government believed futures and options were important. "Now there is much more awareness from trustees who are giving approval to fund managers but also learning how they work."

LIFFE FT-SE 100 Index futures



Source: LIFFE

Liffe has organised three workshops over the last six months for trustees on the use of futures. Mr Weinreb says the interest has been "staggering." Fifty to 60 people have attended each workshop and with a further one planned next month, over 200 trustees will have attended in total – which represents a significant slice of the trustee community.

While it is true that trustees who attend Liffe's workshops must already have an interest in derivatives, the questions being asked give an interesting indication of the level of awareness among trustees – and the results are surprising.

Rather than asking basic questions about how the markets work, trustees tended to be interested in administrative and logistical problems. How are futures and options accounted for and how are they valued, are the sorts of points raised, says Mr Weinreb. Understanding how to manage the additional paper flow, and the measurement of performance of futures are other common questions.

Actuaries and fund managers agree that returns are enhanced only marginally by the use of futures. The real benefit comes when a fund is seeking to alter its exposure to different countries. As Mr Maclaren explains: "The historical industry practice has been to change asset allocation by buying holdings in individual shares, whereas as now the trend is towards using futures as a direct means of asset allocation, which is quicker and more flexible. The futures positions can be unwound as attractive [illegible] holdings are built up if desired."

The changes that have taken place are reflected in a recent survey by KPMG Management Consulting of leading pension funds. Seven out of the 10 it surveyed expected to increase [illegible] of futures and options [illegible] year.

Trustees suspicious about "something for nothing"

Meanwhile, eight out of 10 use [illegible] allocation [illegible] only [illegible] out [illegible] 10 [illegible] for hedging purposes.

However, while [illegible] has [illegible] an [illegible] use of derivatives by pension funds the changes have been gradual. Practitioners say there has been no "big bang". So far only a minority of funds uses futures. While most of the larger funds are using derivatives, of these only a handful [illegible] majority of their funds using derivatives.

The hesitancy of trustees has still not been totally overcome. As one fund manager [illegible] "Derivatives still have something of a bad [illegible] and [illegible] are suspicious about getting something for nothing."

The hesitancy [illegible] not just on the part of the trustees. While some of the larger pension fund management groups have encouraged clients [illegible] make use derivative markets, [illegible] an individual fund manager [illegible] long-standing relationship with [illegible] particular fund and [illegible] not want to use derivatives, such [illegible] change [illegible] unlikely to forced on him or her by the group.

There are still difficulties in devising systems which can monitor the investments and also clear and settle trades. Several medium-sized fund managers still have considerable problems in this [illegible]. Finally, the changes so far have benefited futures. Options are still not widely used by funds. The difficulties in valuing a widely diversified options portfolio has discouraged some funds, while others lack the expertise to explain its uses to trustees.

Jim McCallum

PROPERTY INDUSTRY

Why the institutions are reluctant

PENSION FUNDS rescued the property industry from the [illegible] of [illegible] early [illegible]. But this time round, they are being viewed more as scapegoats than potential saviours.

The evaporation of institutional demand for property, however justified, has [illegible] a source [illegible] dismay for [illegible] overbuilt and often overborrowed property industry.

"The British property industry [illegible] in some [illegible] been abandoned by its traditional investor base, namely [illegible] institutions," said Sir Nigel Mobbs, chairman [illegible] Slough Estates, at a [illegible] dinner for the [illegible] Council for Offices.

From the viewpoint [illegible] property industry, [illegible] though [illegible] funds [illegible] been looking [illegible] any [illegible] limit their investments (with a [illegible] notable exceptions, particularly among [illegible] funds). In the early [illegible] they were deterred from property investment by [illegible] strong performance [illegible] equities.

[illegible] the equity [illegible] in [illegible] unwilling [illegible] invest in property because [illegible] proportion [illegible] property had already [illegible] in their shrunken portfolios.

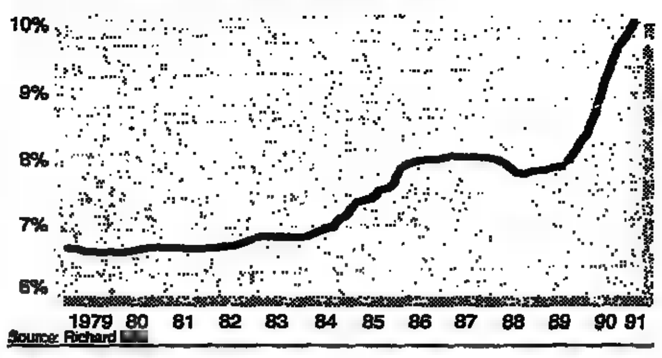
Property's share [illegible] pension fund portfolios [illegible] from [illegible] per cent at the start [illegible] 1980s [illegible] 8 per [illegible] today, according [illegible] Richard Ellis, chartered [illegible]. The pension [illegible] into property has [illegible]

The meagre inflow is not enough to mop up developments coming onto the market

to [illegible] of £118m in [illegible] nine months [illegible] September 1990, according [illegible] Debenham [illegible].

[illegible] inflow of pension fund [illegible] going [illegible] property is nowhere near enough [illegible] mop up [illegible] new developments coming [illegible] the [illegible] – particularly as some [illegible] the most prominent investors such [illegible], Norwich Union [illegible] the Prudential [illegible] own development programmes to mop up [illegible].

All property average yield



Source: Richard [illegible]

[illegible] share of investment funds	Pension funds	[illegible] companies
1980	[illegible]	15.1 per cent
1981	11.4 per [illegible]	14.7 [illegible]
1982	10.9 per [illegible]	16.1 [illegible] cent
1983	7.4 [illegible] cent	11.5 [illegible] cent
1984	[illegible]	[illegible]
1985	5.1 [illegible] cent	[illegible] cent
1986	3.7 [illegible]	[illegible] cent
1987	[illegible]	[illegible] cent
1988	[illegible]	[illegible]
1989	1.3 per [illegible]	10.4 [illegible]
1990	-1.7 [illegible]	[illegible]

Source: [illegible] Department of Trade

Some estimate [illegible] take [illegible] years for [illegible] institutions [illegible] absorb the speculative property financed by [illegible] £40bn [illegible] outstanding [illegible] property industry.

If [illegible] overhang [illegible] property [illegible] not a sufficient [illegible] to investment, property's traditional [illegible] of stability [illegible] counter-cyclicality have [illegible] by [illegible] current downturn, when [illegible] volatility [illegible] timing have [illegible] the equity [illegible] "Historically ... property [illegible] be regarded as stable, and [illegible] counter-cyclical but [illegible] seems no longer [illegible] case," [illegible] Sir Brian Corby, the [illegible].

[illegible] funds, [illegible] as [illegible] Union, have [illegible] been influenced by historical performance figures. Looking [illegible] statistics [illegible] to [illegible] century, [illegible] equities have performed [illegible] than property.

The issue is not, however, cut [illegible] dried. Property, like UK equities, has [illegible] best-performing asset class for [illegible] years since 1973. Property has performed better than UK equities [illegible] term, although worse [illegible] the [illegible].

The pension funds' [illegible] property [illegible] partly a [illegible] of changes in their [illegible] early 1970s, when they were looking for a hedge against inflation and, [illegible] addition, they were underweight in property after a period of rapid growth.

Their policy towards property [illegible] also been [illegible] by [illegible] shift in [illegible] nature of pension funds. The large [illegible] which have traditionally been big investors in property have had [illegible] make earlier-than-anticipated payouts [illegible] a result [illegible] workers taking early [illegible].

[illegible] has [illegible] a shorter-term perspective, which [illegible] discouraged [illegible] in a rela- tively illiquid medium like property.

[illegible] the [illegible] time, market [illegible] has been [illegible] by smaller funds, which are less likely to invest in [illegible] because of high management costs and the difficulties [illegible] a sufficiently diversified portfolio.

But perhaps the most important change for the pension funds' property holdings was the inroads made by overseas equities, following the abolition of exchange controls.

"Property [illegible] in the 1960s and 1970s [illegible] 'third [illegible]' in institutional portfolios, providing long-term security and inflation hedging to complement holdings in equities and gilts ... Deregulation has introduced [illegible] investment, principally in equities [illegible] contender for third place," [illegible] the Investment Property Databank, a [illegible] body.

These factors have contributed [illegible] an unprec[illegible] rise in yields, the yardstick [illegible] measures [illegible] risks and [illegible] attached [illegible] investment. After a slow [illegible] most of the [illegible], yields [illegible] up [illegible] 7.7 [illegible] in December [illegible] cent today, according to the Investment Property Databank, a [illegible] body.

Many investors [illegible] their advisers [illegible] that yields have moved out sufficiently to [illegible] account of bearish factors, although [illegible] expected [illegible] because of the amount [illegible] property overhanging the market and pressure on rents. [illegible] funds, [illegible] have maintained an [illegible] in property during [illegible] slump, [illegible] particularly prominent.

"I would like to think that

Market share has been won by smaller funds, less likely to invest in property

yields [illegible] far as they [illegible] go, particularly looking [illegible] retail warehousing which [illegible] yields of 12 per [illegible] basically self-financing.

"With a [illegible] a good location, there is only upside to come," says Mr Mike Perkins, a director of Commercial Union.

These arguments will not [illegible] every institution. For instance, Norwich Union, [illegible] of the [illegible] prominent institutional investors in property, has decided to bring the proportion [illegible] property in [illegible] portfolio down to the [illegible] in [illegible] industry.

However, anecdotal evidence suggests that there has been an increase in allocations [illegible] property – and not just because the recent outperformance of equities has left funds underweight in property.

"We have [illegible] in the [illegible] a significant increase of buying requirements from the pension funds and insurance companies and estimate that it has virtually doubled [illegible] start [illegible] the year," [illegible] Mr Robert Farnes, investment partner of Hillier Parker.

The problem [illegible] that, [illegible] the quantity [illegible] property overhanging the [illegible] there [illegible] that [illegible] institutions want [illegible] buy.

Partly, this [illegible] of [illegible] – most new office projects

Banks have delayed putting companies into receivership until the market improves

and shopping centres are too large for all but a handful of pension [illegible] also [illegible] good quality property [illegible] coming [illegible] yields. Even banks have delayed putting companies [illegible] receivership until the market improves.

"Leaving aside obvious areas of over-supply such as central London [illegible] availability of income producing [illegible] value size, securely let to stable tenants, is likely to remain restricted," says Mr [illegible] Hearn, a partner at Richard Ellis.

He cites, as examples, industrial and shop [illegible] where many pension funds [illegible] relatively low weightings and there are [illegible] forced sellers.

That leaves a "black hole" of property where sellers' aspirations [illegible] buyers' requirements [illegible] fundamentally mismatched.

Even if institutions do start to buy more real estate, the property industry may have to find the bulk of its funds [illegible].

Vanessa Houlder

PERFORMANCE MEASUREMENT

For a few dollars more

WHEN MR Maurice Stonefrost of the British Rail pension fund was commissioned more than a year ago by the National Association of Pension Funds' Investment Committee to head an independent inquiry into performance measurement, it was at a time of intense controversy over so-called "short-termism" by City fund managers.

There had been a series of hostile takeover bids for British companies. Industrialists were quick to allege that fund managers were too ready to accept a few pence more per share from a takeover bidder rather than back existing managers. Moreover, they wanted ever-higher dividends, regardless of the year-by-year fortunes of companies. A lot of captains of industry were eager to suggest that the quarterly performance measurement to which British pension funds are typically subjected was a prime source of short-termism.

In the event, when the Stonefrost Committee reported in January this year it became evident that (as in previous inquiries) such prejudices had failed to stand up to detailed scrutiny. Performance measurement emerged primarily as a technical matter rather than a key controversial theme of industrial politics.

Nevertheless, the committee made several important points:

First, the background. Two performance measurement services are dominant in the UK pension fund business. The bigger [illegible] that [illegible] the World Markets Company, originally a [illegible] commission service of Edinburgh stockbrokers Wood Mackenzie, but now owned by the US financial giant Bankers Trust.

In 1990 WM, still based in Edinburgh, analysed 2,464 pension fund portfolios in the UK, and [illegible] than 2,000 [illegible] regarded as [illegible] for inclu[illegible] the aggregate data relating to WM's "[illegible]" of funds. At the end of 1990 these WM-measured funds were val[illegible] at £209bn, representing, according to WM, some [illegible] cent of the UK pension fund industry (which by implication [illegible] worth about £270bn at market value on that date).

The second company is [illegible] Performance [illegible] (Caps) which was formed some [illegible] ago [illegible] the separate measurement operations of the actuarial firms Bacon & Woodrow, R Watson and Mercer Fraser, and was later enlarged by the incorporation of the Noble Lowndes service.

During 1990 Caps measured 1,495 UK pension funds in its Trustee Service, worth £127bn. Though the Caps service is smaller, its results are in some ways more representative of the externally managed company pension funds.

The WM Pension Fund Service, for its part, includes more of the giant £1bn-plus public sector schemes which in certain respects have different characteristics, with much higher investments in directly-owned property, for instance. At the end of last year the typical Caps fund held only 2.3 per cent of its assets in property, but the corresponding WM figure was some 9 per cent.

Nevertheless, the overall investment performance indicated by the two services was almost identical in 1990: minus 10.6 per cent for WM and minus 10.5 per cent for Caps. Over 10 years WM shows an average annual return of 15.1 per cent, Caps of 15.4 per cent.

In addition there continue to be one or two independent performance services run by consultants such as Godwins and Wyatt, although these are confined to fairly specialist roles.

There are good technical reasons for measuring performance frequently – at least quarterly – to achieve accuracy in the rate of return calculations. But nobody suggests that fund managers should be assessed on such a short-term basis (let alone on the monthly [illegible] which [illegible] funds are often measured nowadays).

The Stonefrost Committee was concerned that fund man[illegible] should not [illegible] held [illegible] account more frequently [illegible] a year, and that [illegible] should fully understand the meaning [illegible] the performance numbers, ideally with the help [illegible] an annual briefing by [illegible] measurers.

It [illegible] also convinced that greater effort was needed to relate performance measurement to the individual bench[illegible] or objectives which, more and more, are being laid down for particular pension [illegible]. [illegible] "league [illegible]" approach, [illegible] to median-beating objectives or top quartile targets, though still popular, is being rendered increasingly obsolete by the diversity of benchmarks.

According to Mr Stonefrost: "It is up to the funds themselves to seek to be measured against like funds." One result may be an increasing segmentation of the performance measurement process. "We don't think that the median is going to go out of vogue," says Mr John Clamp, chief executive of Caps, "but there may be a proliferation of medians."

Aside from short-termism, the most controversial aspect of pension fund performance measurement is probably the use (or rather, misuse) of performance [illegible] by the fund managers themselves. The ability to outperform over periods of three [illegible] five [illegible] become absolutely fundamental to the success of fund management companies in winning new business (even though statistical evidence suggests there [illegible] little [illegible] and [illegible] performance). There [illegible] in [illegible] tremendous pressure on managers to manipulate the data for marketing purposes.

Thus the Stonefrost Committee commented critically on a survey which indicated that two-thirds of managers claimed to beat the median. It called for an industry committee to be set up to establish standards for performance statistics in advertising and marketing by investment managers.

The sort of manipulation which goes on is that managers leave out of their records the funds from which they have been sacked (these tend, of course, to be the bad performers), and they may leave in or out, on a subjective basis, according to whether it suits them or not, funds on which there is a restricted brief. Also, they may advertise performance over odd periods, thus contriving to minimise the impact of particular bad years.

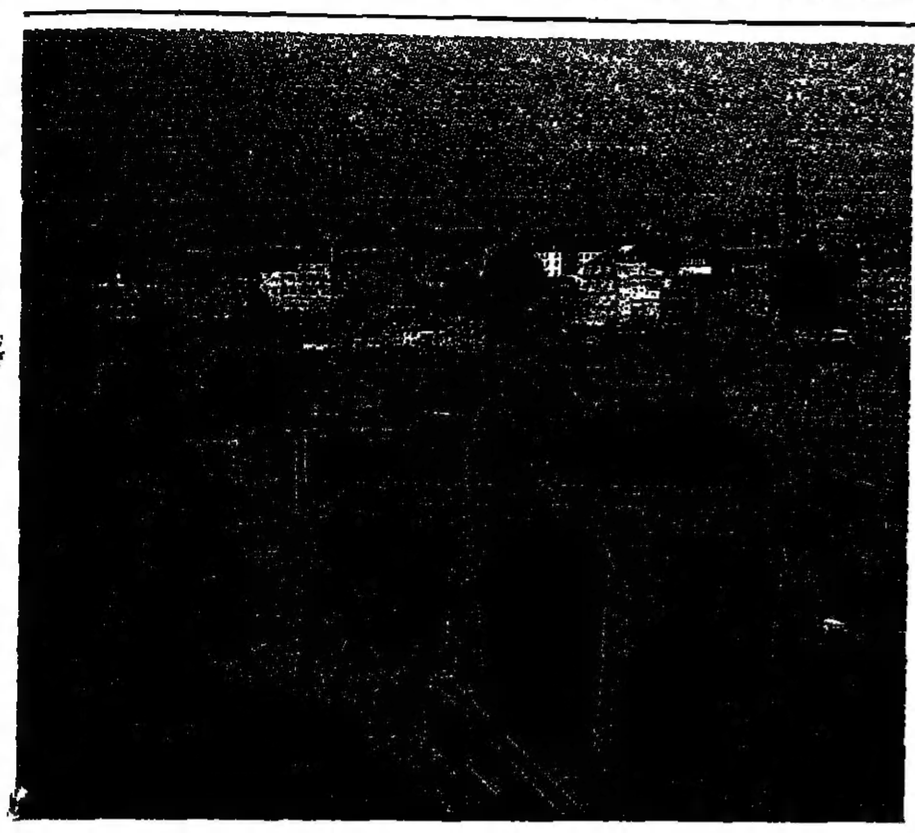
A new committee is now being formed, through [illegible] NAPF and the fund managers' [illegible] body, the Institutional Fund Managers' Association, to establish a code of conduct and thus clean up one of the murkier corners of the performance measurement business.

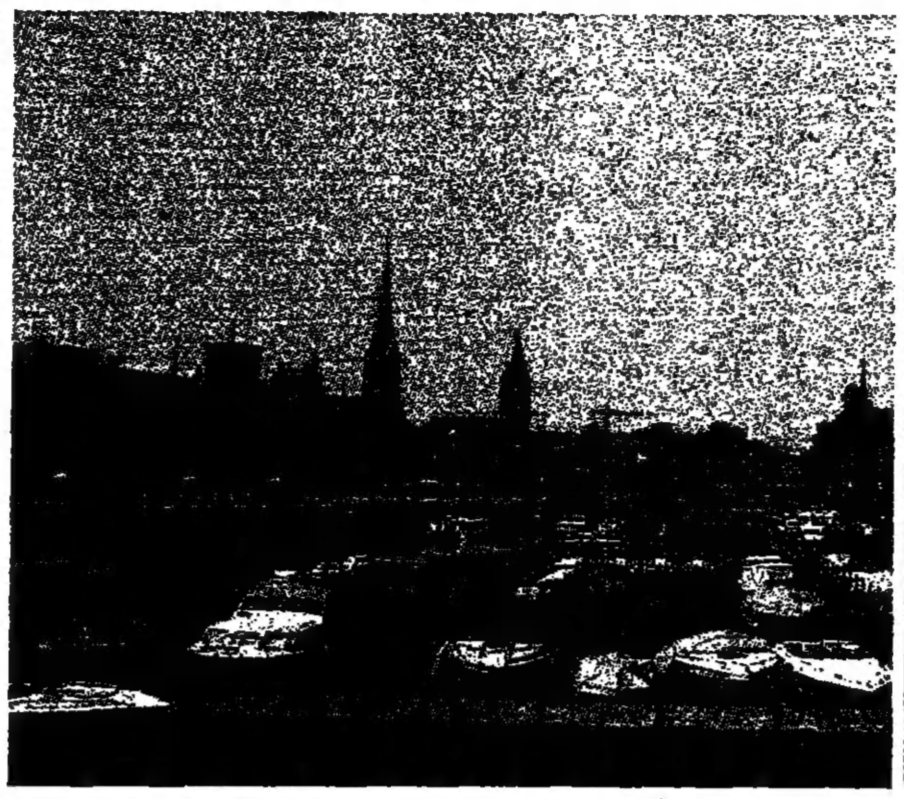
Barry [illegible]

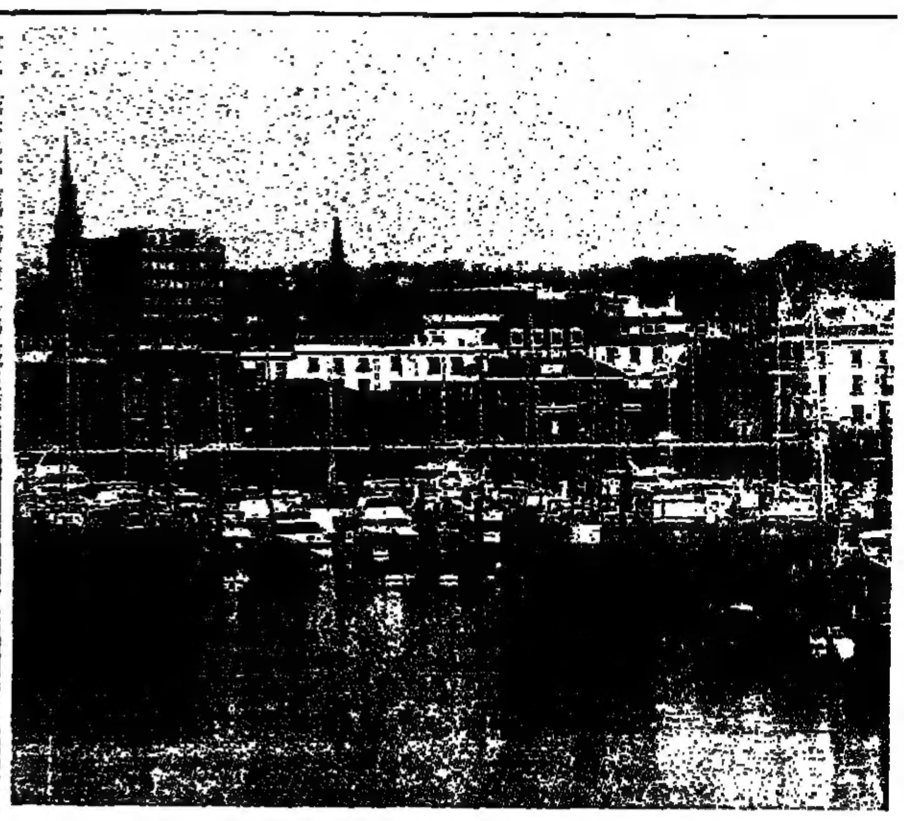
A FINANCIAL TIMES SERIES: Part 3

EUROPEAN FINANCE AND INVESTMENT

Offshore Centres







Prospering at the fringe

There is plenty of competition among Europe's smaller states to act as a magnet for tax and regulatory-shy clients, says Philip Coggan

SMALL can be beautiful in the world of finance. Wherever there are differential rates of tax, and different approaches to regulation, businesses will flock to those areas with the lowest tax and the most flexible regulatory regimes. And there is plenty of competition among Europe's smaller states to act as the magnet for tax and regulatory-shy businessmen.

The term "offshore financial centre" in fact covers a multitude of sins and a wide variety of areas and regulatory regimes.

Many places which have the characteristics of offshore centres, such as Switzerland and Liechtenstein, are in the heart of the continent. Most, if they are offshore of anything, are merely outside the regulatory confines of the European Community.

The existence of these centres creates a knotty problem for the EC. It wants to integrate financial services in the single market, without driving business into areas outside the community.

The internationalisation of business, which the EC has helped to *foster*, has created the conditions for the offshore centres to flourish. Expatriate workers have good tax reasons for seeking havens which are outside their countries of origin and the states where they work. Yet the Community is hardly going to benefit from a single market, if the main result is for tax revenues to drain offshore.

The position of Luxembourg is another difficulty for the Brussels bureaucrats. Euromarket folklore speaks of the typical retail investor – the "Belgian dentist" – depositing his bearer Eurobonds in Luxembourg to avoid tax.

Whether or not the folklore has much basis in reality, Luxembourg has built up a vigorous financial services sector by becoming the EC's "on-site" offshore centre.

In principle, the creation of a true single market in financial services should eliminate Luxembourg's advantages, as tax and regulations would be the same across the Community. In practice, however, the reforms made so far have reinforced Luxembourg's position.

The removal of restrictions on capital flows simply makes it easier for wealthy citizens to transfer their funds to an offshore centre. And differential rates of reform have also helped the smaller states.

A prime example is the directive on Ucits (Undertakings for Collective investment in Transferable Securities). Designed as a means of encouraging a Europe-wide market in open-ended investment, it has sent fund mangement companies flocking to establish in Luxembourg which was one of the quickest countries to implement the directive.

Fidelity, for example, chose to use Luxembourg as the administrative base for its range of Ucits funds, which it sees as the base of its worldwide marketing efforts for the 1990s.

Perhaps the EC is subconsciously happy to see Luxembourg challenge Switzerland as the haven for the world's wealthy. The main effect of the mooted uniform EC withholding tax might simply be to drive business from Luxembourg to Switzerland or even further afield.

The Swiss have been faced with a series of challenges over the past few years as the US, in particular, has laid siege to the much-heralded tradition of Swiss banking secrecy.

The ramifications of the single European market may yet affect Swiss financial services business (although the impact could be positive) and the Swiss are facing competition from a host of other areas such as Gibraltar, Malta and Madeira. The impact of each individual centre might be small but the collective challenge is great.

For those aiming to flourish as offshore financial centres, the attractions are obvious. Financial services business brings revenues to the area, without the environmental side effects caused by other industries. Even a nominal tax charge on a large financial services sector can bring in substantial revenues to a small state.

Ireland which has a high domestic tax regime has attempted to attract international business by creating a low tax financial centre in Dublin. The centre has attracted 150 businesses and created 700 much-needed jobs.

For those centres trying to attract international capital, there are three main dangers.

Those attracted to offshore centres are often trying to avoid or evade taxes and the clientele could easily include drug and other criminal barons.

Some centres have tried to respond to international fears; Luxembourg has agreed that it will not apply its banking secrecy laws where there is evidence of criminal activity; the Channel Islands have imposed drug-trafficking laws on the lines of those in force in the UK.

There is also the risk that a centre grabs so much business that it attracts the wrath of a more powerful neighbour. The Channel Islands have urged their financial companies not to market too heavily in the UK, for example, for fear of killing the goose that lays the golden eggs.

Another danger is that the wrong type of financial services group is attracted to the centre, and the inevitable scandal can then ruin the area's reputation. The Isle of Man and Gibraltar are both trying to live down the effects of 1980s financial group collapses.

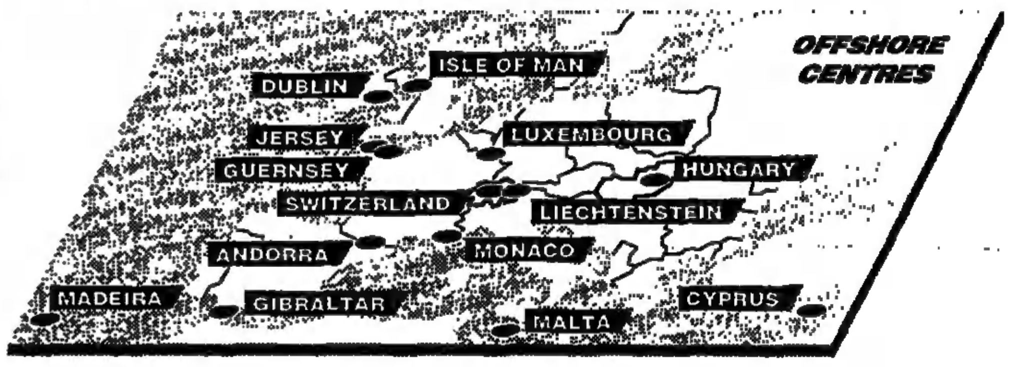
Offshore centres are unlikely ever to be able to shed their slightly unsavoury air. After all, avoiding tax is always going to be one of the primary reasons for heading for an offshore centre; and confidentiality, another main attraction of such centres, is usually valued because the taxman is excluded from the confidences.

According to the UK tax lawyer, Mr Philip Newhouse of Taylor Joynson Garrett, cheapness is not an advantage of an offshore centre since "if you want to set up a company cheaply, the UK's the place".

But it would take a Utopian visionary to imagine that regulators can make offshore centres disappear.

If European authorities find a way of cracking down on their offshore centres, money will simply flow to havens off other continents. European offshore centres will continue to flourish for the foreseeable future.

Among Europe's leading offshore centres, pictured above, are Luxembourg, left; Switzerland, centre; and the Channel Islands.



Zurich bankers have been reassured by the Gulf crisis, writes **William Dullforce**

Confirmation of Swiss superiority

THE GULF crisis has brought Swiss bankers a reassuring confirmation of Switzerland's superiority in attracting offshore capital.

A year ago the bankers were worried about a slowdown in the growth of monies seeking management in Switzerland. Among the many reasons cited were the depreciation of the Swiss franc, the impression among foreign clients that Swiss bank secrecy was being eroded and, perhaps most important, tougher competition from other financial centres which had relaxed capital controls. Offshore Switzerland was losing its comparative advantages, it was said.

After the Iraqi invasion of Kuwait last August funds flooded into Swiss banks from the Middle East. Arab bankers estimate that in a couple of weeks between \$10bn and \$15bn bolted from the Gulf to safer havens, the bulk finding its way into Switzerland.

Most went into short-term, money market placements in dollars, not into the managed portfolios of diversified assets which are the classic instruments of Swiss private bankers. But, at a time when Swiss banking is really in a period of transition and is having to change old habits, the knowledge that Switzerland was still the haven to which the wealthy turned in a crisis has been an important psychological stimulant.

It was all the more important because Swiss bankers have been stressed over the past two years. Not only have they experienced sharper competition from other financial centres, they have also been obliged to adjust to new legislation against money laundering and have had to face the dismantling of long-standing cartel arrangements, which had previously underpinned their profits.

In addition, an element of uncertainty has been injected by the movement towards a single market for financial services within the European Community. EC action postulates the possibility that the Swiss will need to bring their practices, particularly in tax matters, into conformity but, until the 12 EC member-states agree among themselves, the Swiss can only speculate about the direction in which they may be pushed.

Nevertheless, in spite of the doubts that had been raised, Swiss primacy in managing the assets of the rich has yet to be seriously challenged. If an offshore centre is defined as a market for non-domestic money, then Switzerland continues to dominate the offshore business.

By virtue of the confidentiality of the business no reliable statistics exist. Among more recent estimates one from a real insider, Pictet & Cie, the biggest Swiss private bank, put the total of clients' assets under management in Swiss banks at roughly SFr1,800bn (\$1,250bn). A Citibank study suggested that the Swiss controlled about half the international market for non-domestic money management; more modestly, Mr Jean Bonna, partner in Lombard, Odier, the second largest Swiss private bank, had earlier estimated the Swiss share at 40 per cent.

Swiss private banking tradition dates back more than two centuries but the mass of funds under management have accumulated over the past four decades. Switzerland's attraction has been a combination of bank secrecy, political and economic stability, a firm currency, strongly capitalised banks and conservative asset management. Some of these advantages have begun to appear less secure in recent years.

Most of the assets under management still belong to rich individuals but the proportion owned by institutions, such as pension funds, has grown fast. Competition for the institutional business has become sharp; it has compelled the banks to invest heavily in computerised systems and has affected attitudes towards the private customers.

There has been a burgeoning of bank-managed funds, many of them domiciled outside Switzerland to avoid Swiss withholding tax. Clients whose assets are not large enough to warrant the construction and management of a personal portfolio are advised to use the funds. The limit varies, some banks suggesting that they need at least SFr2m to construct a portfolio, while independent portfolio managers mention SFr1m or even less. But the private bankers insist that the personal relationship with their clients remains their crucial and studiously cultivated advantage.

Pictet put the value of clients' assets under management in the private banks at SFr110bn at the end of 1989. By far the larger part of the estimated total, SFr1,800bn, managed in Switzerland is with the three big banks, Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse. At the other end of the scale are several hundred independent investment counsellors or boutiques, advising clients on the placement of monies on deposit with the banks; the counsellors receive a management fee and the banks earn commissions on the transactions.

A little insight into the volume of business done by these independent counsellors was given recently when the private bankers started to lift a corner of the secrecy surrounding their operations. Lombard, Odier, for instance, reported that some 6 per cent of the SFr30bn-SFr35bn in assets it controlled were managed by independent professionals.

Moreover, Lombard, Odier revealed that a surprising 45 per cent of the assets belonged to institutional investors and that it runs 43 funds designed to cover the widely varying needs of its private clients.

Two recent developments have, or are about to, influence the Swiss banks' relationship with their foreign clients. One is the abandoning under pressure from the Cartel Commission and the government of the convention fixing brokerage fees. The other is the announcement expected soon from the Federal Banking Commission banning the so-called formula B.

Formula B is the document which authorises Swiss lawyers or fiduciary agents to place clients' monies with Swiss banks without divulging the identities of their clients. The Banking Commission considers this method of preserving the anonymity of customers is incompatible with the new law against money laundering which requires the banks to know the beneficial owner of monies placed with them.

The dismantling of the convention setting brokerage commissions has already led some Swiss banks to start emphasising management fees rather than continuing to rely, as in the past, on their brokerage income. Banks' reactions have varied. there has so far been no sign of severe price-cutting by banks seeking to win market shares and it is still not clear to what extent investors can benefit from shopping around to find the bank offering the lowest charges.

An important signpost remains hidden over the hump of the EC's internal deliberations about its single market. It indicates the direction the Community will finally take in exchanging information about taxation between member states.

If Brussels plumps for a thorough-going system of tax controls, some bankers foresee a flood of money from EC countries moving into Switzerland, which could, in turn, prompt strong pressure from the Community for the Swiss to abandon their long-standing refusal to co-operate in tracking tax evaders.

GIBRALTAR

Political problems thwart ambitions

While officials, bankers and lawyers make an excellent case for the Rock as an international finance centre, Madrid does its best to enforce isolation, writes **Tom Burns**

GIBRALTAR'S economic ambitions to become a significant player in the offshore banking business are indisputable. Just as apparent are the problems, which have nothing to do with finance, the British Crown Colony faces in its bid to achieve this ambition.

The current situation, which has everything to do with politics, amounts to a cruel paradox derived from the fact that Gibraltar is not geographically offshore at all but linked by a narrow isthmus to Spain. This would not necessarily matter were it not for the fact that Madrid claims sovereignty over the Rock and therefore does everything within its power to deny it a viable independent future.

The paradox is that while Gibraltar's officials and its banking and legal community ~~make an~~ excellent case for the Rock as an international finance centre, Madrid does its best to enforce isolation on the colony.

Telecommunications with Spain are appalling, Spanish custom officials ensure interminable queues at the colony's frontier post with the mainland and Madrid's diplomatic manoeuvring in the EC has effectively reduced Gibraltar's regular air links with the outside world to trips to the United Kingdom.

Such pressure has by no means prevented Gibraltar's success in building up its economic muscle and its purposeful entry into the offshore business.

Gibraltar had four banks at start of the 1980s, 11 midway through that decade and now has 30, 10 of which have offshore banking divisions. Total bank assets stood at around £1bn three years ago and have now risen to more than £2.5bn. Some 9,000 companies were registered on the Rock four years ago and there are now more than 42,000.

According to the Gibraltar government's calculations the Rock now has 2 per cent of the global offshore sector and the idea is to double this market quota in the near future. An international consultancy, hired by the Gibraltar government, is conducting an overall review of the policies required to place the Rock solidly on the offshore map.

The offshore niche that the Rock has in its sights is emphatically located in Europe. Gibraltar sees itself as a tax efficient base for business in the EC.

"The Cayman Islands, Bermuda, the Isle of Man, Jersey and the rest share with us a relationship with the UK and have been in the offshore business longer and more successfully than us," says Mr Joe Bassano, Gibraltar's chief minister. "But none of them is a member of the EC like we are and that is the special advantage we can offer."

To the extreme irritation of the Spanish government which views the Rock either as a British colony or as an integral part of Spain but never an independent state, Mr Bassano likes to say that Gibraltar is "de facto the 13th member of the Community".

Exempted, by its membership terms, from the EC's fiscal system, Gibraltar has a special jurisdiction, comparable to Luxembourg's and Dublin's, that affords specific offshore possibilities.

Mr Michael Davidson, who runs Barclays Bank on the Rock, views Gibraltar's peculiar EC status as its main selling point: "We are one of the three offshore centres within Europe and we are able therefore to sell fund management products throughout the Community." Bankers in Jersey and Guernsey, in contrast, have to seek approval from the authorities in each member state before they can trade such products.

There are additional pluses for the colony. "There is more confidentiality in general banking services in Gibraltar than on the Isle of Man," says Mr Jose Navarro, who runs the offshore banking divisions on the Rock for Spain's premier bank, Banco Bilbao Vizcaya. "We can offer here the same as Jersey but we can make it far more tailor-made."

Gibraltar sells itself as better equipped to deal with the EC and also as more receptive to the medium net worth individual. "In Jersey I was solely interested in people with £20m," says one banker who moved from the Channel Islands to the Rock. "Here, if someone arrives with £1m, the red carpet is rolled out."

The attention that a Gibraltar-based bank will devote to its individual client is mirrored by the goodwill that the institution itself receives from a local government that is avidly encouraging the growth of the financial sector. "If a bank is going to create five jobs in Gibraltar then it is very important to us," says chief minister Bassano. "A small investment elsewhere represents a big one here."

The review of Gibraltar's future as an offshore centre will focus on the Rock's opportunities to offer fiscal breaks. "It would be unrealistic to believe that the EC will achieve total tax harmonisation," says Mr William Penman Brown, a former Guernsey banker who was recently appointed the colony's Financial Services Commissioner. "There will be little pockets like Luxembourg and ourselves who will able to give (tax) advantages."

It is unfortunate in this respect that the Spanish government should be seeking to close off precisely the fiscal loopholes afforded by offshore centres such as the Rock.

Draft legislation that aims to tax non-resident property owners in Spain will hurt Gibraltar far more than other offshore centres because as Mr Penman Brown puts it "Gibraltar has so many eggs in the Spanish basket". A high proportion of the Rock-based companies created in recent years were formed by wealthy foreigners seeking to avoid the Spanish taxman when buying their Costa homes.

In the meantime, Spanish hostility to Gibraltar's offshore pretensions effectively precludes the establishment on the Rock of meaningful corporate business. According to Mr J E Triay, one of the Rock's most respected and veteran lawyers, "the influence of Spain is too great; Gibraltar cannot become an offshore centre if Spain does not want it to."

Put quite bluntly the long-term future of the Rock as a solid offshore centre requires a radical change in its present political status in order to accommodate Madrid. Ideally, Gibraltar should be to Spain what the Channel Islands are to the UK. But Gibraltarians, virtually unanimously, reject such a future.

IRELAND

Nervous newcomer

IRELAND is the nervous newcomer among offshore financial centres. In 1987 the government came out strongly in favour of the idea of an International Financial Services Centre (IFSC), to be based on the banks of the River Liffey in central Dublin.

In return for tax concessions and other incentives, companies were invited to base their treasury functions in Ireland, in the process creating thousands of much-needed jobs. The government successfully convinced the EC Commission that Ireland suffered because of its geographical isolation in Europe and needed special favours to counter this "peripherality". The IFSC, costing more than I£450m \$703m), is now opening for business and the time of truth has come.

So far the outlook is good. A carefully co-ordinated marketing exercise has persuaded about 150 companies to set up operations in the IFSC. Of these, 90 are already open for business, employing more than 700 people.

The Irish economy has traditionally been dominated by the agricultural sector, but in the decades following the Second World War governments sought to develop an industrial base to combat rising unemployment levels. Generous tax concessions were offered to foreign manufacturers willing to invest in Ireland. The direct precedent for the IFSC was established in 1958, when new legislation granted 25-year tax exemptions to some trading operations based round Shannon airport in the south-west of the country. In 1981, a 10 per cent corporation tax covering the manufacturing sector was extended to service related activities. By the mid-80s it had been decided that Dublin could emulate the successful Shannon Free Zone – home now to a number of financial service companies though more famous for its leading role in the world-wide aircraft leasing business. A derelict docks site close to Dublin city centre was earmarked for a large renewal project.

The project's centrepiece would be the IFSC, a cluster of office blocks where international financial services companies could operate under a special tax regime. Apart from the 10 per cent corporation tax rate, the government offered incentives including a 10-year exemption from rates, double deduction of rent expenses for companies holding leases of 10 years or more, and write-offs of up to 100 per cent of new building costs for the first year.

Until last year the EC had restricted the concessionary tax rate period to 2000, and the end of 1990 had been set as the deadline for the approval of new projects. Following a meeting between Mr Albert Reynolds, the Irish minister for finance, and Sir Leon Brittan, vice-president of the EC Commission, the tax concession period was extended until 2005 and new projects could be approved up to the end of 1994.

While the EC Commission has shown itself to be well disposed to the growth of the IFSC, some European tax authorities are discreetly letting it be known that they will not tolerate firms moving operations to Dublin merely as a means of tax avoidance. The Irish government has highlighted its exclusion of "brass plate" companies from the site. "We don't want to promote it as a tax haven," says Mr Reynolds.

Only genuine companies are being admitted – ones which employ identifiable staff and hold out the prospect of indirect contributions to the Irish economy through using local banking and professional services.

Generating employment remains one of the government's primary aims, and it has predicted that eventually up to 7,000 jobs may be provided by the Centre. The Industrial Development Authority, the state body which promotes inward investment, wants 5,000 jobs created at the centre by 1993.

As well as the tax concessions offered at the IFSC, its promoters also highlight Ireland's EC membership, proximity to London and low rents compared with other centres – though there have been complaints that there is a need for more supervision of the letting process. Much emphasis has been placed on the ready availability in Ireland of well-educated, English-speaking young people. While the employment "shake-out" in London and elsewhere has eradicated any labour shortages in the sector, the Irish have built up considerable financial services skills.

Against these attractions is the unusually high rate of personal tax in Ireland, where a single man can pay taxes of almost 50 per cent on earnings of less than I£15,000 per year. The government is making efforts to reduce personal and indirect tax rates, but the burden of interest payments on an I£25bn national debt has made any substantial progress difficult.

Domestic institutions have tended to lead the way in establishing a presence in the IFSC. Allied Irish, the country's biggest clearing bank, took the lead by purchasing the first office block to house its treasury activities. Bank of Ireland has purchased its own block and several big companies – Daiwa Securities, Chase Manhattan, Citicorp and Swiss Bank Corp – have added their names to the tenant list.

Activities which qualify for the IFSC's incentives package include dealings in foreign currencies, general asset management, Undertaking for Collective Investments in Transferable Securities (ucits), plus related activities such as insurance, accounting and the development of computer software to meet the specialist demands of the sector. Those responsible for marketing the IFSC have had to adjust some of their more ambitious targets as the recession has begun to take its toll. But the IFSC is very much open for business.

Kieran Cooke

ISLE OF MAN

Room for expansion

THE Isle of Man finance industry is very buoyant and, with plenty of space available for expansion, the island expects considerable growth in that sector over the next few years. The strict regulatory framework, built over the past eight years, is regarded by Manx-based institutions as helpful rather than onerous.

The industry and the Manx government are monitoring developments of the single European market, but more with a view to spotting potential for business rather than through fear of loss of business.

The Isle of Man, which has its own parliament, is not a full member of the EC, but as a crown dependency of the UK has a special relationship with it. It can export certain products, not financial, into the EC but is not eligible for grant aid.

Most island-based institutions have felt no need to be situated inside the EC boundaries. However, Clerical Medical and Target International have opened Luxembourg offices in addition to their bank space to comply with EC regulations that required fund administration to be *in situ*. Barclays Unicorn moved its operation from the island to consolidate all its offshore work in Luxembourg.

The island's financial industry and its attitude to business have changed considerably in the past decade. In the seventies and early eighties naivety and an urgent need for economic expansion left the island open to the ploys of dubious entrepreneurs and practitioners.

But the much-publicised £42m crash of the Savings and Investment Bank in 1982 deeply scarred the island. It forced upon its legislators the realisation that there is much more to operating a finance sector than rudimentary checks.

Since the Financial Supervision Commission was instituted in 1983 it has doggedly pursued and addressed areas within the finance industry that left the island open to abuse. The commission is on the side of the investor, but has remained sensitive to legitimate needs of the industry and production of legislation always involves lengthy consultation with members of the industry.

Mr Jim Noakes, director of the Finance Supervision Commission, said: "If we can establish the broad area of common interest between regulator and regulated in safeguarding the customer, it's easier to isolate the cowboys."

The banking sector continues to grow with two new institutions licensed in the past 12 months, bringing the total up to 60 including the building societies. Last year the commission announced it was opening the doors for managed banks, but sought only those with sound, internationally reputable parents. So far three have been set up.

Private banking is on the increase and in line with other jurisdiction most island-based banks have set up trust administration arms, using their international branch networks to build the client base. Barclays, Lloyds, Midland, NatWest, Bank of Scotland and others offer specialised trust administration.

Insurance forms a large part of the Manx finance industry and big life assurance companies, such as Eagle Star, Royal Life and Safe Assurance of the Danish Trygg group, have centred their offshore businesses there.

The growth of captive insurance companies in the Isle of Man reflects the solid base of expertise available in this field. Last year the island secured 30 per cent of captives formed worldwide and to date 102 captives have been formed. These include such leading companies as Jaguar, British Gas and Midland Electricity Board.

Investor protection is high on the priorities with legislation for deposit and investor protection schemes passed this year. The schemes mirror those in the UK, with deposit protection of maximum 75 per cent of the first £20,000 covered and investor protection of maximum £48,000.

Trust and company formation and administration constitute a large proportion of the finance sector but many professionals see this area as the weak link in the chain of respectability and would like to see more control.

The three classes of company available are resident, tax-exempt and non-resident. Tax-exempt are managed from the island but carry on business elsewhere and are limited to certain types of business. Non-resident are managed and do business elsewhere and the degree of anonymity this allows leaves their use open to abuse.

So far the authorities have refused to eliminate the non-resident company as an entity, in spite of this having been achieved in the Channel Islands.

Licensing of trust and company administration is being discussed as an option. Mr Mark Solly, a partner in the accountancy firm Moore Stephens and a former director of the Financial Supervision Commission, feels this may prove difficult. He says the key to cleaning up the act is to insist on accountability within the company by ensuring all companies have at least one Manx director.

"I believe there are too many difficulties to introduce a licensing system to make people responsible for companies they formed, and over which they subsequently have no control," he said.

While banks and reputable firms forming and administering trusts and companies carry out rigorous checks on potential clients, unfortunately there are still some practitioners who do not. Consequently the Manx fraud squad has more than a full-time job dealing with inquiries from law enforcement agencies abroad. The majority of these involve a Manx non-resident company.

But the authorities recognise this gap in the legislation and Mr Noakes says it is now their No 1 priority. Serious consultation on the issue is under way between the authorities and members of the industry.

Sue Stuart

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LUXEMBOURG

Haven for tax-free gains

The Grand Duchy has traditionally appealed to French, Belgian, Dutch and German investors, says **Sara Webb**

AS AN offshore financial centre, Luxembourg has developed two important lines of business – private banking and Ucits, (Undertaking for Collective Investments in Transferable Securities).

Luxembourg's bankers shudder if you refer to Switzerland in the same breath as the Grand Duchy itself. However, though members of Luxembourg's financial community dislike the suggestion that Luxembourg is a "down-market" alternative to Switzerland, there is no denying the fact that Swiss banks have long appealed to a wealthier class of investor – whether a Middle Eastern sheikh or an Asian dictator.

Luxembourg has traditionally appealed to continental investors who wanted to keep their investments offshore and for whom Luxembourg's financial district was only a short train or car ride away.

Many banks in Luxembourg have been expanding into the wider field of asset management

These investors tend to use the centre as a safe home for deposits and bearer bonds where their gains can accrue tax-free. Many are attracted by the fact that Luxembourg does not have a withholding tax on profits, unlike some of the rival offshore centres.

Although drug-dealing and fraud are regarded as criminal activities in Luxembourg, tax evasion is not. Like the Swiss banks, those in Luxembourg do not see why they should act as policemen for the tax authorities, and this has undoubtedly contributed to its appeal for many years.

Luxembourg originally developed as a centre specialising in currency investment: many of the investors from neighbouring countries are familiar with investing in a range of currencies and want advice on currency diversification: they want to know which particular currencies are offering the highest interest rates while keeping their exchange rate risk to a minimum.

However, in recent years, many of the banks in Luxembourg have been expanding in the wider field of asset management. For the wealthy investor this may mean private portfolio management, but for those with less than about $300,000 it usually means investing in pooled funds which in turn invest in real estate, bonds or equities, whether in Europe, the US or one of the emerging East Asian economies.

The fact that Luxembourg is a member of the EC, unlike Switzerland, means that some doubt hangs over its future as a tax-evasion centre. The main fear is that Luxembourg could be forced to share information about investors from other EC countries with the relevant tax authorities. However, even if Luxembourg's attraction in this field is diminished, it has already carved out a position as the centre for Ucits.

These are pooled, open-ended investments (similar to unit trusts) which allow small investors to invest in a range of shares or bonds. They can be marketed across the EC – in other words, a German or UK group is free to sell its products to French investors. Many of the large fund management groups, including such names as Fidelity, have set up their administrative offices in Luxembourg with the result that there are now several hundred funds based in the Grand Duchy.

Luxembourg took the opportunity early on to attract fund management groups to market their funds in the EC from the Grand Duchy as it provides a centrally located base.

Furthermore, with its favourable tax environment – no withholding tax on distributions and no income tax on the fund – it has proved a relatively cheap place from which to set up Ucits, even though in many cases the actual fund management is carried out in more sophisticated financial centres such as London or Tokyo.

Barry Riley investigates the differences between two Channel Islands

Aiming to be a stepping stone off Europe

JERSEY, SAYS Mr Colin Powell, the island's economic adviser and top civil servant, is aiming to be "a stepping stone off Europe for people worldwide to use".

Already a substantial and comparatively sophisticated financial centre, but one geared in primarily to the UK and to British expatriates around the world, Jersey is hoping to broaden its appeal, so as to become "offshore Europe" rather than "offshore UK".

Perched just off the coast of Normandy the island is certainly well-positioned, and already plays host to a good range of international financial institutions. But perhaps it needs to improve its linguistic skills and become more accommodating to Continental practices before it can fully assume a multinational role.

Jersey's financial industry has been growing strongly for many years, although there is now a hint of a slowdown, as a reflection of the international economic recession.

Bank deposits of £44.4bn at the end of 1990 (in some 60 licensed banking institutions) showed a rise of £4bn in the year, a satisfactory figure, though indicating a deceleration compared with the much more buoyant conditions of the late 1980s.

Investment funds had a tough year, especially in the second half. From £6.7bn at the end of June the total assets of funds registered in the island dropped to £5.3bn in September, reflecting poor stock market conditions as well as a stagnation in the number of funds.

In the final quarter the total value edged up to £5.6bn, however, and clearly will have surged forward in recent months in line with buoyant share prices worldwide.

It is in this offshore funds sector that Jersey has felt competition from the two "onshore/offshore" European Community centres in Luxembourg and Dublin. A few fund management groups have shifted funds to those locations, hoping to find it easier to market their investment products on the Continent. However, most of the fund groups have found their Luxembourg "umbrella" funds to be disappointingly slow sellers.

Perched just off the coast of Normandy, Jersey is certainly well-positioned, and already plays host to a good range of international financial institutions

Jersey funds, in contrast, can only be sold through normal retail channels in EC member states by means of bilateral agreements. Only one such agreement has been concluded with the UK, and about 25 funds out of 170-odd can be sold on the UK mainland.

An important business in Jersey, as in its rival Channel Island of Guernsey, is the management of offshore trusts. However, this received a sharp (though long expected) setback in the UK Budget on March 19 when UK taxes were slapped on new trusts set up by UK residents.

However, the Jersey view is that the damage will be small. "The loss of that business is marginal in its impact," claims Mr Powell. "The majority of trust management firms have non-UK oriented trust business anyway."

In fact, the government of Jersey has been forced into something of a reconsideration of the island's future development as an offshore centre in the light of the progress of the European Community towards a Single Market.

At one stage the island's isolation from the EC – it has links, but is a non-member for most purposes – was viewed with a degree of anxiety. More recently, though, the potential of the "Offshore Europe" role has been seen to be considerable.

A comparatively well-developed legal and regulatory framework offers considerable advantages compared with, say, the upstart centres of the Mediterranean. At the same time, the limited physical capacity of the island, with a population of some 86,000, which it is determined to restrain, has caused concern.

It is hard for new financial institutions to enter Jersey, although the government is anxious to deny suggestions that it is full up. The zero job growth policy is designed to reduce employment growth to nil by 1992, and yet Mr Powell insists that flexibility will be applied, and it is still possible for new companies to enter if they bring additional connections and skills to the island.

Public relations advisers have been hired to create a more positive marketing formula, and Jersey will soon publish a Strategic Policy Report setting out five-year objectives. But no great departures are expected: relationships with the UK and the Continent are already regarded as satisfactory, and as providing the basis for future growth.

The "offshore Europe" role could get a boost soon from a deal with Japan allowing Jersey funds to be sold to retail investors in Japan. Already a large volume of Japanese institutional investment money enters Europe through Jersey, where it is cushioned from the hazards of mainland taxation.

If Luxembourg and Dublin should ever lose their tax privileges, and succumb to the pressures for EC-wide investment income withholding taxes, the Channel Islands would be waiting to pick up large volumes of displaced financial business.

GUERNSEY

Ahead in insurance

A LITTLE smaller than its neighbour Jersey, the other main Channel Island of Guernsey (population 60,000) has successfully cultivated an equally respectable image as a well-regulated UK offshore centre, and is now also seeking to develop its business with the Continent of Europe.

It has the same territorial status as Jersey – it is a British Crown possession rather than a part of the UK, and is for most practical purposes – certainly in respect of financial services – outside the European Community.

But inevitably there is confusion about the two islands in the minds of many foreigners, and the debate in Guernsey is whether it should seek to differentiate itself from Jersey in some way, perhaps through a marketing campaign.

The Guernsey authorities have been pondering the merits of a recent report prepared by the London advertising and public relations agency Streets. For example, should the leaders of Guernsey's financial community set out on a series of Continental road shows?

A recent slackening of the momentum of financial business expansion may be concentrating minds. The influx of new "managed" banks in the past 18 months has stopped for the moment, probably because in the face of the global recession banks around the world have shelved their expansion plans. Still, with 72 resident banking institutions Guernsey boasted bank deposits of £14.9bn at the end of 1990, up nearly £2bn on the year.

As for investment funds, after a noticeably quiet winter, when the Gulf war choked off business, the rise in global stock markets appears to be producing a revival of activity. Some five new A class collective investment schemes are in the pipeline (A schemes are eligible for recognition by the Securities and Investments Board in the UK). At the end of December 1990 there were 156 authorised open-ended, 50 in class A and 106 in the offshore-only B class.

These open-ended funds had assets of £3.07bn in aggregate last December, and there were also some 55 closed-ended schemes worth an additional £1.3bn-plus.

One area in which Guernsey is distinct from Jersey is in offshore insurance. With some 190 captive insurance companies Guernsey is the European time zone market leader, albeit a long way behind Bermuda.

However, Guernsey is under competitive pressure in captive insurance business at the moment from Dublin and the Isle of Man, and may need to respond by improving the incentives for new captives to set up in the island.

Guernsey aims in the longer-term to reduce its links with the UK

In offshore life business, Guernsey hopes to follow Jersey by enacting offshore personal pensions legislation, probably later this year, though there have been disappointing delays. Guernsey plans will be capable of origination by local life companies: lacking insurance companies of its own, Jersey relies on plans marketed by mainland life companies through Jersey intermediaries.

The offshore trust sector was braced for a blow in the UK Budget in March and it duly fell. But Mr John Roper, director-general of the Financial Services Commission (FSC), tries to make the best of a bad job. He argues that existing trusts are unlikely to be repatriated to the UK, even if new business stops coming.

In any case, Guernsey's strategy is anyway to reduce the links with the UK. "This is a blessing in disguise because it will stimulate our industry to find new sources of business," he argues. Like his Jersey counterparts, Mr Roper is expecting a breakthrough after several years of negotiations with the Japanese Ministry of Finance over the eligibility of Channel Island investment funds for retail marketing in Japan. This could attract business which at present goes mostly through Luxembourg.

Over several years, largely to cope with the consequences of the UK's Financial Services Act 1986, Guernsey has built up a substantial regulatory body in the FSC, staffed at senior levels mainly by ex-Bank of England officials.

A point of debate now is whether the FSC should actually take part in the promotion of Guernsey's offshore finance industry, perhaps by funding all or part of a marketing exercise.

But there are potential conflicts. Not only is it doubtful whether regulators should get mixed up in promotion, but the cost would presumably have to be met out of the fees charged to existing financial institutions. The latter might be happy to see this done to attract new business to the island, but less pleased if the emphasis were on bringing in new institutions which would increase competition for those already established.

Still, Guernsey needs to address some of these issues if it is to make a serious impact in the European market place.

In Cyprus, 15 offshore banking units have now been established.

Cyprus woos more Gulf investors

MORE than 600 offshore companies and firms have offices in Cyprus, by no means all of them in the financial services sector.

Those that arrive there find a banking system modelled on that of the UK and well-experienced in handling trade finance and investment.

Exchange controls are light for foreign companies, though Cyprus residents are not allowed to hold foreign currency. Non-residents can hold Cyprus pounds and foreign currency accounts with authorised banks. There are no controls over the transfer of funds to these accounts. Equity capital for foreign investors must come from abroad and the terms of foreign loans have to be approved by the Central Bank. Capital invested and gains from the disposal of shares can be freely remitted abroad. There is no ceiling on profit remittances or minimum period for disposing of investments.

Moves to encourage offshore financial investments for the eastern Mediterranean and the Gulf have been under way for some years. To date, 15 offshore banking units have been established, entitled to tax, customers' and other benefits.

One advantage enjoyed by Cyprus is the time zone with a "window" which fits neatly between the closing time of financial centres in east Asia and the opening time of those in the western hemisphere.

David Barchard

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